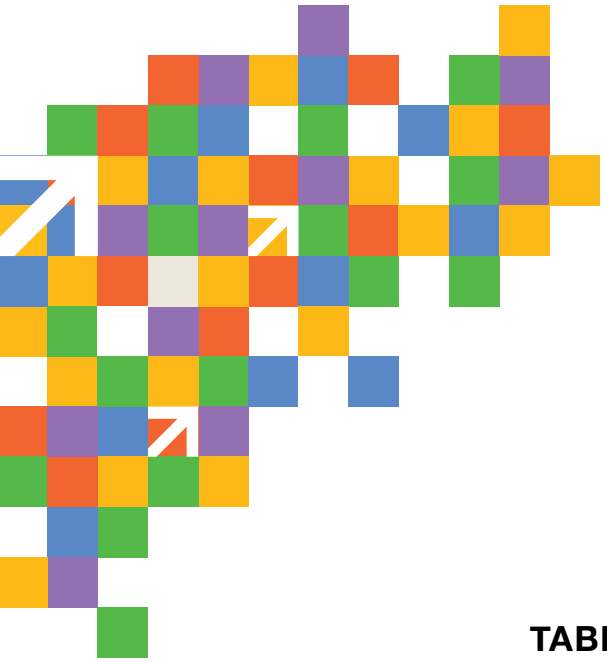
INNOVATION IN ACTION

CORUS ENTERTAINMENT

ANNUAL REPORT 2011



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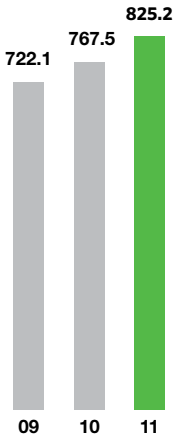
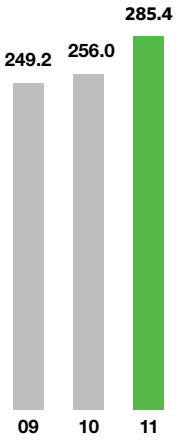
REVENUES[1]

(in millions of Canadian dollars)



SEGMENT PROFIT[1] [2]

(in millions of Canadian dollars)



FINANCIAL HIGHLIGHTS

(in millions of Canadian dollars except per share amounts)

	2011	2010	2009
Revenues[1]	**825.2**	767.5	722.1
Segment profit[1] [2]	**285.4**	256.0	249.2
Net income (loss) from continuing operations	**141.3**	119.7	(50.7)
Net income (loss) from discontinued operations	**5.0**	7.0	(5.9)
Basic earnings (loss) per share			
From continuing operations	**$1.73**	$1.48	$(0.64)
From discontinued operations	**$0.06**	$0.09	$(0.07)
	$1.79	$1.57	$(0.71)
Diluted earnings (loss) per share			
From continuing operations	**$1.72**	$1.47	$(0.64)
From discontinued operations	**$0.06**	$0.09	$(0.07)
	$1.78	$1.56	$(0.71)
Total assets	**2,084.6**	2,059.3	1,874.7
Long-term debt	**600.8**	691.9	651.8
Cash dividends declared per share			
Class A Voting	**$0.7300**	$0.5950	$0.5950
Class B Non-Voting	**$0.7350**	$0.6000	$0.6000

[1] Restated to exclude results from discontinued operations.
[2] As defined in "Key Performance Indicators – Segment Profit and Segment Profit Margin" on page 25.

JOHN M. CASSADAY
President and Chief Executive Officer

HEATHER A. SHAW
Executive Chair

MESSAGE TO SHAREHOLDERS

DEAR SHAREHOLDERS,

Fiscal 2011 was another successful year for Corus. We grew segment profit by 12% and achieved our annual guidance even after divesting our Quebec Radio assets in February. Our net income from continuing operations increased 18% to $141.3 million and our free cash flow was $133.3 million. Consistent with our commitment to deliver exceptional returns to our shareholders, we increased our dividend twice in fiscal 2011, most recently by 16% in July to $0.87 per share, which resulted in a dividend yield of 4.3% as at August 31, 2011, an impressive yield for a Canadian media company.

We are confident we can continue to grow our business through innovation and a focus on our audiences. Digital technology is creating opportunities that we could not have imagined previously. With the advent of the digital era, content and technology are merging seamlessly, giving us the ability to expand our reach and deliver content to audiences anywhere, anytime and on the device of their choice.

The move to our digitally advanced Toronto waterfront facility, Corus Quay, has been a game changer for us. The transformative power of the technology allows us to seize opportunities to deliver compelling content to consumers on any platform, and the consolidation of our Toronto-based businesses under one roof has created a cohesive culture which has allowed us to harness and leverage our individual and collective capabilities.

Also key to our growth is an in-depth understanding of our audiences. By investing in proprietary research, we deepen our consumer insights, allowing us to entertain and engage our audiences with relevant content on any platform.

FISCAL 2011 HIGHLIGHTS

The following are just a few examples of how our technology, great content, strong brands and an engaged, creative and informed workforce led to exceptional results in fiscal 2011:

- The move to Corus Quay enabled the successful origination and transmission of 32 television and 3 Toronto-based radio signals, with an output capacity which would allow us to double the number of signals.
- The successful launch on multiple platforms of OWN Canada, built on the iconic Oprah Winfrey brand, is becoming a key engine of growth for our Women's television vertical.
- The optimization of our highly successful family co-viewing strategy on YTV and CMT contributed to specialty advertising revenue growth of 11%.
- We delivered excellent growth internationally from our merchandising business, with key brands such as Beyblade, Bakugan and Babar driving significant merchandising revenues for the Television division. The relaunch of Beyblade has been a tremendous success, with over 80 million tops sold worldwide, and the momentum continues.
- Building on our leadership position as an innovator and the first to launch an iPhone streaming app for radio, we continued to innovate, introducing the *ExploreMusic* app for the iPhone and iPod, which contributed to record levels – six million hours per month – of online tune in for our Radio division.
- Corus generated notable industry recognition with a record-breaking 92 Gemini nominations, 9 Genie Awards and 10 Crystal and Canadian Music and Broadcast Industry Awards.
- With previous wins for employee engagement that include Canada's 10 Most Admired Corporate Cultures, in fiscal 2011 Corus continued to receive accolades as one of Greater Toronto's Top Employers and Canada's Top Employers for Young People for the second consecutive year, as well as one of Canada's Best Diversity Employers for the third year in a row.
- We maintained disciplined cost controls and, in an uncertain economy, achieved exceptional overall results.

FISCAL 2011 RESULTS

Consolidated revenues from continuing operations for the full year were an impressive $825.2 million, up 8% from the prior year. We delivered exceptional double-digit consolidated segment profit growth of $285.4 million, up 12% for the year. We exceeded our free cash flow target of $100 million, achieving in excess of $130 million in adjusted free cash flow, even though our guidance, when first announced, included earnings and free cash flow from our Quebec radio assets, which were subsequently divested in the second quarter of fiscal 2011.

TELEVISION

Our Television results for the year were excellent. Revenue was up 9% and we delivered double-digit segment profit growth, up 14%. In addition, the division finished the year with outstanding operating margins of 41%. Specialty advertising revenues for our three verticals – Women, Kids and Family – ended the year up 11%, driven by the successful monetization of our co-view audiences and growth in our Women's vertical. Subscriber revenue grew a solid 6% due to continued growth from our newer services and a lift in our Pay TV subscriptions, which ended the year up 2%, driven by the strength of our premium first-run movies and an impressive slate of exclusive original programming.

Corus Television's strong portfolio of businesses is growing, both internationally and domestically. Our international merchandising business continues to expand and enhance our overall revenue growth. Our Boys Action brands, Beyblade and Bakugan, and our preschool brand, The Backyardigans, drove merchandising revenue growth for the year – which represented a remarkable 66% increase in revenues from the prior year.

RADIO

The Radio division saw a return to growth in fiscal 2011. Total revenues from continuing operations were $195.7 million, up 2%, with Ontario delivering 5% growth, led by our Toronto and London clusters. Segment profit was up 3% for the year, driven by solid revenue growth coupled with strong cost controls. Most noteworthy, Radio achieved an overall margin of 30% for the year, a long-stated goal for the division.

CORPORATE

In the fourth quarter, we announced an annual dividend increase of 16%, our second significant annual dividend increase for the fiscal year. This resulted in a total fiscal year dividend increase of 45%, with an annual rate of $0.87, up from the prior year rate of $0.60. Our net income for the fiscal year was $141.3 million, up a significant 18% compared to net income of $119.7 million in the prior year.

FISCAL 2012 OUTLOOK

Innovation will continue to drive our business in 2012 and we anticipate further growth from both our Television and Radio businesses.

For Television, we will continue to focus on growing our core business in the Women's, Kids and Family verticals. Corus has launched or rebranded more television offerings in the last few years than any other Canadian media company. In fiscal 2012, we will continue this growth strategy with the introduction of ABC Spark in Canada. ABC Spark will launch in early 2012 and will build on the successful ABC Family brand experience in the U.S. This general entertainment channel, targeted to the millennial generation, gives us access to outstanding ABC Networks/ABC Family programming that will drive growth for ABC Spark as well as our existing Corus services. We expect audience growth from CosmoTV and the Oprah Winfrey Network (OWN) to drive specialty advertising revenues. With Oprah now firmly at the helm of OWN, both on and off air, the network's significant investment in exclusive original programming and its strong distribution platform should prove to be a major driving force for growth. OWN's extensive use of social media allows us to connect with a highly engaged audience and expand the brand's reach to other platforms.

The outlook for the worldwide animation business remains favourable, with a continuing shift in audiences to specialty networks and emerging new platforms for content distribution. Through Nelvana, we will continue to unlock more value from our deep library of over 4,000 half hour episodes of content, with on-demand video offerings on all platforms. As well, we continue to establish intellectual property partnerships around the world with brands like *Beyblade* and emerging hits such as *Mike the Knight*, a co-production with Hit Entertainment. Nelvana Studio is able to create compelling content for our kids channels, which can then be sold internationally. Our slate of new shows is making significant inroads in both the U.S. and international markets. Just one example is *Scaredy Squirrel*, which debuted in a key prime time slot on Cartoon Network in the U.S. and has secured placement with Disney Channel and Disney XD for broadcast in Europe and beyond.

Our international merchandising business helps us diversify our revenue base and is expected to continue to be a significant revenue producer for our Kids business. Toy sales for Beyblade are strong in every territory and all signs indicate we have a worldwide hit with this brand. To support sales efforts and further growth, deals with major broadcast partners have been secured for the launch of a new 51-episode series, *Beyblade: Metal Masters*, and a world championship Beyblade event that will be held in Toronto at Corus Quay in March 2012.

Radio is uniquely positioned to leverage its strength of building local communities and audiences in a digital and mobile world. Radio has always been a wireless and highly mobile medium with a demonstrated ability to provide innovative and unique offerings across all platforms. Corus Radio has been a leader in extending its reach to listeners on multiple devices with the launch of its streaming applications.

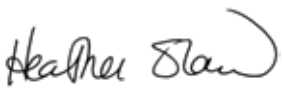
Our Radio business is a great generator of cash flow. We are competitively positioned in our local markets, from a format, ratings and demographics perspective, to continue to service our audiences wherever they are. Our growth strategy remains focused on being local and connecting with the community. We have reorganized the Radio division, enabling us to increasingly leverage our content and resources across our stations and multiple platforms to continue to drive growth.

Capital spending on Corus Quay is now complete and we will return to lower levels of spending which will positively impact our cash flow in 2012 and beyond. It is clear to us that our strong partnerships coupled with the technological advantages of Corus Quay represent huge opportunities for us to innovate and optimize our content across existing and emerging platforms and into new markets, including the rapidly growing field of social media. We see more growth opportunities ahead as we maximize the value of our brands and continue to successfully steward our partnerships with other internationally-recognized brands. In this regard, we are very excited about the launch in Canada of ABC Spark with Disney/ABC Television Group this coming spring. Corus also recognizes the importance of innovation through experimentation. We continue to explore opportunities in the new media marketplace, investing in partnerships, such as the online lifestyle publisher B5Media, to extend our reach and expand our knowledge-base in the online and mobile digital space.

In summary, we will continue to focus on increasing shareholder value through dividend measures and share buybacks in fiscal 2012. At Corus, technology is powering new consumer experiences and with it, new opportunities for growth. It's a winning formula.

We would like to thank our Board of Directors for their continued support and guidance, our employees for their dedication and commitment and our shareholders for their ongoing confidence in our company.

John M. Cassaday
President and
Chief Executive Officer



Heather A. Shaw
Executive Chair

INNOVATION IN ACTION

OPPOSITE: The Hub, Corus Quay; OPPOSITE BOTTOM: Master Control, Corus Quay; TOP LEFT: Studio Control, Corus Quay; TOP RIGHT: Corus Quay

Corus Quay, the Company's new high-tech media and content facility, demonstrates Corus' commitment to innovation.

Innovation is one of Corus' core values and a key component of Corus' growth strategy. Corus Quay, the Company's new high-tech media and content facility, demonstrates Corus' commitment to innovation. The building's leading-edge design and fully digital infrastructure is configured to adapt to the rapidly evolving media universe, giving Corus a strong competitive advantage and a foundation for long-term sustainability and growth.

Among the accomplishments Corus Quay has helped facilitate:

- The optimization of the company's content and assets for seamless integration and distribution of content across multiple platforms. Corus Quay has enabled us to introduce innovative products and services tailored to the digital marketplace and deploy our non-linear, on demand, broadband and mobile rights in any format, on any device, in numerous languages, with unmatched speed and efficiency.
- The origination and distribution of more than 30 television signals from this single facility with the capacity for double the number of channels.
- On-site sessions with musical acts such as City and Colour and Mumford & Sons held at Corus Quay which are simultaneously streamed live on air and online.
- Over 5,000 hours of Video on Demand television content delivered per month to distributors in more than 100 custom packages for consumers across Canada.
- High definition offerings of our core brands, including HBO Canada, Movie Central, YTV, W Movies and OWN: Oprah Winfrey Network (Canada), with plans to roll out more HD offerings in the coming year.
- Four high definition studios that create in-house programming and original series such as YTV's *The Zone*, CosmoTV's *Oh So Cosmo* and CMT's *Chevrolet Top 20 Countdown*.
- More than 60 major launch and corporate events held at Corus Quay with key strategic companies such as Audi, Microsoft Canada and Campbell Canada.
- In excess of 4,000 half-hours of kids content from Nelvana Studio is deployed digitally to international broadcast partners in over 190 countries around the world.

Paul McGuire, host, *The Show,* CMT

TELEVISION IN ACTION

Corus' Television division has been a driving force of growth for the company. Leveraging the technical capabilities and synergies of Corus Quay will provide additional opportunities to optimize our Television assets and build on the division's successful track record as both a creator of strong, well-defined brands and a trusted steward of iconic brands such as HBO Canada, CosmoTV, Nickelodeon and OWN: Oprah Winfrey Network.

The deployment of innovative products and offerings to meet consumers' demand for high-quality content, accessible anywhere and anytime, is spurring new growth opportunities. More than a dozen high definition versions of Corus' core brands have been launched from Corus Quay. On-demand content offerings have grown significantly, ranging from Treehouse's new mobile and tablet apps to the delivery of thousands of hours of exclusive, premium content online and on mobile platforms, allowing us to deliver our content to viewers at their convenience.

Introducing new brands to Television's portfolio of services has and will continue to contribute to the division's growth. Corus' joint venture with Harpo, Inc. and Discovery Communications on OWN, launched in six million homes in Canada, represents a powerful opportunity to build our Women's

TOP LEFT: Josie Dye, host, *Oh So Cosmo*, CosmoTV; BOTTOM LEFT: *Newswatch*, CHEX Television;
TOP RIGHT: *The Next Star,* YTV; BOTTOM RIGHT: Nelvana Studio, Corus Quay

vertical; and the upcoming launch in early 2012 of ABC Spark, based on the highly successful ABC Family brand in the U.S., will provide both a new revenue stream and access to an extensive library of ABC Networks/ABC Family content for our other services.

Corus Television's growth has also been driven by Nelvana's international success. By leveraging our domestic programming insights and funding advantages, Nelvana is uniquely positioned amongst global content producers. Breakout merchandising hits such as Beyblade and Bakugan have bolstered Corus Television's results, while the value of the Nelvana library is being realized increasingly through digital sales to international and multiplatform providers. Nelvana's content is also gaining wider exposure with schedule placement on our international channel ventures; qubo, which is currently available in 42 million homes in the U.S., and KidsCo, which is distributed in 97 countries.

As we build on our position as a leader in innovation and our competency as successful brand stewards, leverage the power of Corus' brands and deploy our assets on all viable platforms, our Television division continues to be well positioned to capitalize on opportunities to generate growth for the company, both domestically and in the international marketplace.

LEFT: Dave Rutherford, host, *The Rutherford Show*, on QR77 and 630 CHED; TOP RIGHT: Vinyl 95.3 summer concert;
BOTTOM RIGHT: CKNW AM 980's Pink Shirt Day: Bullying Stops Here

RADIO IN ACTION

Corus' Radio business is built on the powerful appeal of local radio and its ability to innovate and connect to meet the needs of its audience. Corus believes that radio's growth potential lies in creating strong brands and offering listeners compelling and engaging content on multiple platforms. Corus Radio's 37 stations across Canada reach more than seven million listeners each week with news, information and music programming.

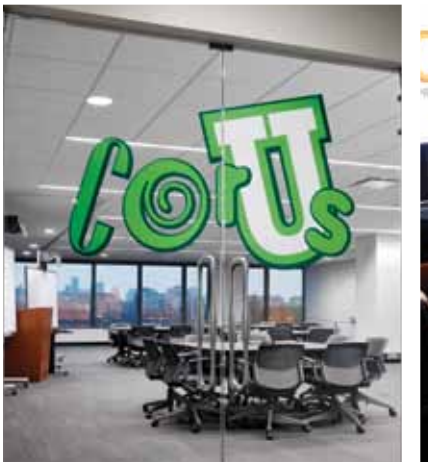
Leading the way on the digital front, Corus Radio continues to innovate and in 2011, launched a number of listener engagement initiatives in the evolving media space. Technology is driving changes in the media marketplace and creating new opportunities to reach audiences. This has allowed Corus Radio to effectively leverage its content across three platforms – on air, online and on site.

On air, Corus continues to deliver relevant local programming to its listener base and compelling original content such as the new series, *The Complete Beatles*, which is syndicated across its classic rock and greatest hits-based radio stations.

TOP: Kim Mitchell, host, afternoon drive, Q107; BOTTOM LEFT: FM96's interactive platform;
BOTTOM RIGHT: Arkells perform at 102.1 the Edge

Online, Corus has teamed up with Supernova Interactive to introduce an innovative and fully-integrated social media network that allows listeners, bands and musicians to interact with one another. In addition, nearly 400,000 listeners have downloaded the Corus Radio app since its launch, enabling live streams of our stations on mobile devices. Corus continues to expand its mobile offerings with the launch of a new *ExploreMusic* app. As a result of these initiatives, our strong local websites and robust media players drive six million hours of online tuning for Corus Radio stations each month.

On site, Corus Radio connects to its communities and engages with its audiences through remote broadcasts, support of local fundraising initiatives as well as with live events. At Corus Quay, 102.1 the Edge's *Sugar Beach Sessions* give fans access to performances and exclusive interviews from the biggest names in music, from Canada's City and Colour to international artists Coldplay and Mumford & Sons.



LEFT: Atrium, Corus Quay; TOP CENTRE: Corus U, Corus Quay; TOP RIGHT: Theatre, Corus Quay;
BOTTOM RIGHT: Hunger for Hope, Corus Radio Winnipeg

COMMUNITY IN ACTION

Corus is committed to connecting with the communities it serves and has a long and successful track record of corporate social responsibility (CSR) that encompasses community, industry engagement, employees and environmental initiatives.

On the philanthropic front, Corus and its employees gave the equivalent of more than $22 million to over 500 charitable organizations across Canada in 2011. The company is also a long time supporter of the United Way and has raised nearly $3.3 million to date through its annual fundraising drive. In 2011, Corus undertook a comprehensive review of its CSR initiatives and, as a result, the company is refining its corporate giving strategy to maximize the impact of our efforts across business units and align our focus more closely with our brands.

From an industry engagement perspective, Corus Radio believes in working with Canadian artists to enrich the music industry by investing in Canadian talent development. Corus Radio has contributed more than $30 million to Canadian talent development initiatives. Corus Television plays a major role supporting the development and broadcast of high quality television. Since its inception, Corus has commissioned 6,950 hours of Canadian television production, spent $445 million in license fees paid to independent producers and has triggered over $1.3 billion in original independent Canadian production.

TOP LEFT: Babar and Badou, Family & Friend's Day, Corus Quay; TOP RIGHT: Barenaked Ladies, *On The Lookout*, CMT, Corus Quay; BOTTOM LEFT: Q107's Breakfast with Derringer, Corus Quay; BOTTOM RIGHT: Brenda Clark, Illustrator, *Franklin*

Corus is also passionate about engaging its employees. The Corus Quay facility and upgrades made to many of Corus' operations, enable employees to enhance their creative potential, giving the company a strong competitive advantage. We believe ongoing learning and development is vital to our employees and our continued success. Internal development opportunities through Corus U, Corus Entertainment's in-house university, have delivered more than 3,000 hours of training to employees each year. In 2011, Corus U introduced a successful series of short workshop sessions called Corus U Minis that augment employees' knowledge of our business. Employee recognition for their superior performance is also an essential part of Corus' strong culture and each year, Corus honours employees during a live awards ceremony that is webcast across the country. In addition, we have been recognized for our commitment to our employees with a number of awards this fiscal — as one of Greater Toronto's Top Employers, one of Canada's Top Employers for Young People and one of Canada's Best Diversity Employers.

Corus' contribution to its employees and to the betterment of the communities we serve extends to supporting environmental sustainability efforts, best represented by Corus Quay, which is targeted for LEED® Gold certification. The award-winning facility uses 33% less energy and 41% less water relative to a conventional building, features energy efficient lighting, a five storey biowall, use of local and recycled materials and reused rain water, as well as printers that result in 80% less packaging waste and 50% less power. As a result of the company's ongoing environmental efforts, Corus was honoured as one of Canada's Greenest Employers in 2011.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis of the financial position and results of operations for the fiscal year ended August 31, 2011, is prepared at October 26, 2011. This should be read in conjunction with the Company's August 31, 2011 Annual Report and audited consolidated financial statements and notes therein.

The financial information presented herein has been prepared on the basis of Canadian generally accepted accounting principles ("GAAP"). All dollar amounts are in Canadian dollars unless specified otherwise. Certain comparative figures have been reclassified to conform with the basis of presentation adopted in fiscal 2011. Specifically, results from continuing operations as presented in our income statement exclude the results from businesses classified as discontinued operations.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

To the extent any statements made in this report contain information that is not historical, these statements are forward-looking statements and may be forward-looking information within the meaning of applicable securities laws (collectively, "forward-looking statements"). These forward-looking statements are related to, among other things, our objectives, goals, strategies, intentions, plans, estimates and outlook, including advertising, distribution, merchandising and subscription revenues, operating costs and tariffs, taxes and fees, and can generally be identified by the use of words such as "believe," "anticipate," "expect," "intend," "plan," "will," "may" and other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. Although Corus believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, including without limitation, factors and assumptions regarding advertising, distribution, merchandise and subscription revenues, operating costs and tariffs, taxes and fees and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from these expectations include, among other things: our ability to attract and retain advertising revenues; audience acceptance of our television programs and cable networks; our ability to recoup production costs; the availability of tax credits and the existence of co-production treaties; our ability to compete in any of the industries in which we do business; the opportunities (or lack thereof) that may be presented to and pursued by us; conditions in the entertainment, information and communications industries and technological developments therein; changes in laws or regulations or the interpretation or application of those laws and regulations; our ability to integrate and realize anticipated benefits from our acquisitions and to effectively manage our growth; our ability to successfully defend ourselves against litigation matters arising out of the ordinary course of business; and changes in accounting standards. Additional information about these factors and about the material assumptions underlying such forward-looking statements may be found in our Annual Information Form. Corus cautions that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to Corus, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Unless otherwise required by applicable securities laws, we disclaim any intention or obligation to publicly update or revise any forward-looking statements whether as a result of new information, events or circumstances that arise after the date thereof or otherwise.

OVERVIEW

Corus Entertainment Inc. ("Corus" or the "Company") commenced operations on September 1, 1999. On that date, pursuant to a statutory plan of arrangement, Corus was separated from Shaw Communications Inc. ("Shaw") as an independently operated, publicly traded company and assumed ownership of Shaw's radio broadcasting, specialty television, digital audio services and cable advertising services businesses, as well as certain investments held by Shaw.

Corus operates through two lines of business: Radio and Television. The Corporate results represent the incremental cost of corporate overhead in excess of the amount allocated to the operating divisions. Generally, Corus' financial results depend on a number of factors, including the strength of the Canadian national economy and the local economies of Corus' served markets, local and national market competition from other broadcasting stations and other advertising media, government regulation, market competition from other distributors of animated programming and Corus' ability to continue to provide popular programming.

(A) RADIO

The Radio division is comprised of 37 radio stations situated primarily in seven of the ten largest Canadian markets by population and in the densely populated area of southern Ontario. Corus is one of Canada's leading radio operators in terms of audience reach. Revenues are derived from advertising aired over these stations. On February 1, 2011, the Company's Quebec operations were sold to Cogeco Inc. Subsequently, Corus Radio's Quebec operations were retroactively restated as a discontinued operation.

(B) TELEVISION

The Television division is comprised of specialty television networks, pay television services, three conventional television stations, and the Nelvana content business which consists of the production and distribution of television programs, merchandise licensing and publishing. Kids is comprised of: YTV; Treehouse; Nickelodeon (Canada); a 50% interest in TELETOON and TELETOON Retro, and the Nelvana content business. Specialty and Pay is comprised of: W Network; OWN: Oprah Winfrey Network (rebranded from VIVA March 1, 2011); W Movies; Sundance Channel (Canada); Corus' western Canadian pay television services Movie Central (including HBO Canada) and Encore Avenue; three conventional television stations, and the Company's majority interests in CMT Canada, Telelatino, DUSK and Cosmopolitan TV. Revenues for the specialty television networks are generated from affiliate subscriber fees and advertising. Revenues for pay television are generated from affiliate subscriber fees. Revenues for the conventional television stations are derived from advertising. Revenues for the distribution and licensing business are generated from licensing of television programs, merchandise licensing and publishing.

ANNUAL SELECTED FINANCIAL INFORMATION

The following table presents summary financial information for Corus for each of the listed years ended August 31:

(in millions of Canadian dollars, except percentages and per share amounts)				% Increase	
	2011	2010	2009	2011 over 2010	2010 over 2009
Revenues[1]	**825.2**	767.5	722.1	7.5	6.3
Segment profit[1][2]	**285.4**	256.0	249.2	11.5	2.7
Net income (loss) from continuing operations	**141.3**	119.7	(50.7)		
Net income (loss) from discontinued operations	**5.0**	7.0	(5.9)		
Basic earnings (loss) per share					
From continuing operations	**$1.73**	$1.48	$(0.64)		
From discontinued operations	**$0.06**	$0.09	$(0.07)		
	$1.79	$1.57	$(0.71)		
Diluted earnings (loss) per share					
From continuing operations	**$1.72**	$1.47	$(0.64)		
From discontinued operations	**$0.06**	$0.09	$(0.07)		
	$1.78	$1.56	$(0.71)		
Total assets	**2,084.6**	2,059.3	1,874.7		
Long-term debt	**600.8**	691.9	651.8		
Cash dividends declared per share					
Class A Voting	**$0.7300**	$0.5950	$0.5950		
Class B Non-Voting	**$0.7350**	$0.6000	$0.6000		

Notes: [1] Restated to exclude results from discontinued operations.
[2] As defined in "Key performance indicators – Segment profit and segment profit margin".

In the second quarter of fiscal 2011, Corus completed the sale of its Quebec Radio operations for $84.0 million (including a working capital adjustment of $4.0 million) resulting in a gain of $4.1 million. As such, the operating results for the Quebec Radio operations for fiscal 2010 and 2009 have been restated as discontinued operations.

The net loss for fiscal 2009 includes broadcast license and goodwill impairment charges of $11.5 million and $163.5 million, respectively ($172.5 million, net of tax of $2.5 million) related to the Radio segment. The impairment of the broadcast license that related to the discontinued Quebec Radio operations was $6.7 million.

RESULTS OF OPERATIONS

The following table presents summary financial information for Corus' lines of business and a reconciliation of net income to segment profit for each of the listed years ended August 31:

(in thousands of Canadian dollars, except percentages)			% Increase (Decrease)
	2011	2010	2011 over 2010
Revenues			
Radio	**195,657**	192,433	1.7
Television	**629,556**	575,097	9.5
	825,213	767,530	7.5
Direct cost of sales, general and administrative expenses			
Radio	**136,572**	135,002	1.2
Television	**371,024**	348,418	6.5
Corporate	**32,196**	28,141	14.4
	539,792	511,561	5.5
Segment profit[(1)]			
Radio	**59,085**	57,431	2.9
Television	**258,532**	226,679	14.1
Corporate	**(32,196)**	(28,141)	14.4
	285,421	255,969	11.5
Depreciation	**24,922**	20,122	
Interest expense	**57,276**	44,222	
Disputed regulatory fees	**-**	(14,015)	
Debt refinancing	**-**	14,256	
Restructuring	**3,694**	12,924	
Other expense (income), net	**(4,060)**	19,477	
Income from continuing operations before income taxes	**203,589**	158,983	
Income tax expense	**55,106**	33,437	
Non-controlling interest	**7,209**	5,884	
Net income from continuing operations	**141,274**	119,662	
Net income from discontinued operations	**5,023**	7,072	
Net income for the year	**146,297**	126,734	

Notes: [(1)]As defined in "Key performance indicators – Segment profit and segment profit margin".

FISCAL 2011 COMPARED TO FISCAL 2010

For a discussion on the Company's results of operations for the fourth quarter of fiscal 2011, we refer you to our fourth quarter Report to Shareholders filed on SEDAR at www.sedar.com on October 26, 2011.

REVENUES

For fiscal 2011, revenues from continuing operations of $825.2 million represented an increase of 8% from $767.5 million last year. Subscriber revenues increased by 6%, advertising revenues increased by 4%, and merchandise, distribution and other revenues increased by 22% in the year. Television and Radio revenues increased by 9% and 2%, respectively, in the year. Refer to the discussion of segmented results for additional analysis of revenues.

DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

For fiscal 2011, expenses of $539.8 million represented a 6% increase over the prior year and is attributable to higher cost of sales in the Television division and higher Corporate costs. Refer to the discussion of segmented results for additional analysis of expenses.

DEPRECIATION

Depreciation expense from continuing operations of $24.9 million for fiscal 2011 was higher than prior year due to the depreciation of Corus Quay assets, which commenced in the fourth quarter of fiscal 2010.

INTEREST EXPENSE

Interest expense of $57.3 million for fiscal 2011 was higher than prior year due to a higher average cost of debt for the period. This results from a full year of interest for fiscal 2011 on the $500.0 million, 7.25% senior unsecured guaranteed notes due 2017 (the "Notes") that were issued in February 2010. The Company used the proceeds from the Notes to pay down bank debt. The average interest rate on bank loans and Notes for fiscal 2011 was 6.9% compared to 5.5% on bank loans and Notes last year.

On March 11, 2011, the Company's $500.0 million credit facility with a syndicate of banks was amended. The principal amendments were to reduce interest margins applicable to floating interest rates and extend the maturity date to February 11, 2015.

DISPUTED REGULATORY FEES

In October 2009, a settlement was reached between the Government of Canada and members of the broadcasting industry in respect of disputed Part II license fees. The settlement included waiving Part II license fees that were not collected for the broadcasting years 2007, 2008 and 2009. The Company had accrued $14.0 million related to continuing operations over that period and reversed this accrual in the first quarter of fiscal 2010.

DEBT REFINANCING

In the second quarter of fiscal 2010, the Company issued $500.0 million in Notes. The proceeds of the Notes issue were used to pay down the existing $500.0 million term facility. Concurrently, the interest rate swap agreements that fixed the interest rate on $400.0 million of the bank debt were terminated, and the Company amended its credit facility with a syndicate of banks. These transactions resulted in the Company recording pre-tax debt refinancing costs of $14.3 million. The components of these costs include mark-to-market payments on the termination of the interest rate swap agreements, and the non-cash write-off of deferred financing fees related to the previous credit facility.

RESTRUCTURING

Restructuring expense of $3.7 million for fiscal 2011 is comprised of employee-related expenses associated with the organizational restructuring that commenced in the fourth quarter of fiscal 2010, with additional costs incurred in the first and fourth quarters of fiscal 2011. Included in this amount are redundant rents for facilities vacated subsequent to the move to the Corus Quay location.

OTHER EXPENSE (INCOME), NET

Other income from continuing operations for the fiscal year was $4.1 million, as compared to an expense of $19.5 million last year. The difference relates to a $3.4 million gain on the sale of property and higher foreign exchange gains and equity earnings in fiscal 2011. The prior year includes the retroactive portion of the new Radio tariffs introduced in July 2010 and pre-occupancy lease costs for Corus Quay.

INCOME TAXES

The effective tax rate for the fiscal year was 27.1%, compared to the Company's 29.0% statutory rate. The prior year included a future tax recovery of $14.3 million representing a reduction in the Ontario provincial long-term tax rate.

NET INCOME AND EARNINGS PER SHARE

Net income from continuing operations for fiscal 2011 was $141.3 million, as compared to $119.7 million last year. Earnings per share from continuing operations for fiscal 2011 were $1.73 basic and $1.72 diluted, compared with $1.48 basic and $1.47 diluted in the prior year. Net income from continuing operations for the prior year includes a reversal of the disputed regulatory fee accrual, a reduction in the income tax rate and debt refinancing costs. Removing the impact of these items results in adjusted prior year earnings per share of $1.31 basic and $1.30 diluted. The weighted average number of shares outstanding is relatively unchanged from the prior year.

OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX

The significant item in other comprehensive income in fiscal 2010 was the change in the unrealized fair value of the Company's interest rate swap agreements of $3.4 million. In the second quarter of fiscal 2010, the Company terminated the agreements. As a result, the unrealized change of $9.2 million in the fair value of the agreements that were previously recorded in other comprehensive income were reversed through other comprehensive income and recorded in net income as a component of the debt refinancing.

RADIO

The Radio division is comprised of 37 radio stations situated primarily in seven of the ten largest Canadian markets by population and in the densely populated area of southern Ontario. Corus is one of Canada's leading radio operators in terms of share of revenues and audience reach.

Radio Financial Highlights

	Years ended August 31	
(thousands of Canadian dollars)	**2011**	2010
Revenues		
West	**91,625**	93,470
Ontario	**104,032**	98,963
	195,657	192,433
Segment profit		
West	**28,743**	30,295
Ontario	**30,342**	27,136
	59,085	57,431

Revenues for fiscal 2011 were $195.7 million, up 2% from the prior year. In the West, revenues decreased 2% for the year due to ongoing rating challenges in Vancouver and Edmonton. In Ontario, revenues increased 5% as a result of strong growth in Toronto and London.

Direct cost of sales, general and administrative expenses for fiscal 2011 at $136.6 million increased 1% over the prior year. Variable expenses for the current year were consistent with the prior year. Fixed costs, which represent a much higher proportion of the cost structure, increased 2% year-over-year. The increase was primarily due to the reinstatement of pension contributions for non-sales employees.

Segment profit for fiscal 2011 of $59.1 million increased 3% from the prior year. Margins in Ontario grew by 12%, this was offset by a decline in the West as a result of a drop in Vancouver and Edmonton. Overall, a segment profit margin of 30% was achieved for fiscal 2011.

On February 1, 2011, the Company's Quebec radio operations were sold to Cogeco Inc. Subsequently, Corus Radio's Quebec segment was retroactively restated as a discontinued operation.

TELEVISION

Kids is comprised of: YTV; Treehouse; Nickelodeon (Canada); a 50% interest in TELETOON and TELETOON Retro; and the Nelvana content business. Specialty and Pay is comprised of: W Network; OWN: Oprah Winfrey Network (rebranded from VIVA March 1, 2011); W Movies; Sundance Channel (Canada); Corus' western Canadian pay television services Movie Central (including HBO Canada) and Encore Avenue; three conventional television stations; and the Company's interests in CMT Canada, Telelatino, DUSK and Cosmopolitan TV.

Television Financial Highlights

	Years ended August 31	
(thousands of Canadian dollars)	**2011**	2010
Revenues		
Kids	**278,958**	240,568
Specialty and Pay	**350,598**	334,529
	629,556	575,097
Segment profit		
Kids	**115,355**	97,126
Specialty and Pay	**143,177**	129,553
	258,532	226,679

Revenues for fiscal 2011 increased 9% from the prior year, primarily as a result of an 11% increase in specialty advertising revenues, a 6% increase in subscriber revenues and a 26% increase in merchandise, distribution and other revenues. Non-specialty advertising revenues were down 31% for the year as a result of the closure of our former cable advertising service in August 2010. Movie Central (including HBO Canada) finished the year with 984,000 subscribers, up 2% from the prior year.

Direct cost of sales, general and administrative expenses of $371.0 million increased 6% over the prior year. Amortization of program rights and film investments and other cost of sales increased by 12% in the current year. Program rights amortization increased as a result of variable costs associated with higher subscriber levels, increased output from program supply agreements, investments in programming, particularly for our Women's and Pay networks, and increased Canadian programming as a result of conditions of license. Amortization of film investments increased in part due to higher cost of sales associated with increased revenues from third party service work at our studios. Other cost of sales associated with the merchandising business also increased in line with higher merchandising revenues in the year. General and administrative expenses decreased by 2% in the current year due to the savings from our organizational restructuring in 2010 offsetting higher variable costs.

Segment profit of $258.5 million increased 14% from the prior year. Kids was up 19% for the year, benefiting from increased co-view advertising and merchandising revenues. Paid subscriber growth from CosmoTV, Sundance, W Movies and Movie Central drove segment profit for the Specialty and Pay group, up 11% for the year.

CORPORATE

The Corporate segment results represent the incremental cost of corporate overhead in excess of the amount allocated to the operating segments.

Corporate Financial Highlights

	Years ended August 31	
(thousands of Canadian dollars)	**2011**	2010
Stock-based compensation	**12,556**	7,770
Other general and administrative costs	**19,640**	20,371
	32,196	28,141

Stock-based compensation includes expenses related to the Company's Performance Share Units ("PSUs"), Restricted Share Units ("RSUs"), stock options and other long-term incentive plans. The expense fluctuates with changes in assumptions, primarily the Company's share price and number of units outstanding. The increase in stock-based compensation in the current year reflects a higher share price compared to the prior year, which resulted in amounts becoming due in the current year. In fiscal 2010, no payments became due related to these plans because performance targets were not met.

Other general and administrative costs for fiscal 2011 were comparable to the prior year.

QUARTERLY CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

SEASONAL FLUCTUATIONS

Corus' operating results are subject to seasonal fluctuations that can significantly impact quarter-to-quarter operating results. In particular, as the Company's broadcasting businesses are dependent on general advertising and retail cycles associated with consumer spending activity, the first quarter results tend to be the strongest and second quarter results tend to be the weakest in a fiscal year.

The following table sets forth certain unaudited data derived from the unaudited consolidated financial statements for each of the eight most recent quarters ended August 31, 2011. In management's opinion, these unaudited consolidated financial statements have been prepared on a basis consistent with the audited consolidated financial statements in the Company's Annual Report for the year ended August 31, 2011.

(thousands of Canadian dollars, except per share amounts)	Revenues[2]	Segment profit[1][2]	Net income[2]	Earnings per share[2] Basic	Diluted
2011					
4th quarter	**200,193**	**58,531**	**29,210**	**$ 0.35**	**$0.35**
3rd quarter	**211,788**	**77,277**	**39,229**	**0.48**	**0.47**
2nd quarter	**191,076**	**60,959**	**28,137**[3]	**0.35**[3]	**0.34**[3]
1st quarter	**222,156**	**88,654**	**44,698**[3]	**0.55**[3]	**0.54**[3]
2010					
4th quarter	187,436	51,517	4,164[3]	$0.05[3]	$0.05[3]
3rd quarter	198,387	69,447	29,272[3]	0.36[3]	0.36[3]
2nd quarter	177,500	55,050	15,231[3]	0.19[3]	0.19[3]
1st quarter	204,207	79,955	70,995[3]	0.88[3]	0.87[3]

Notes: [1]As defined in "Key performance indicators - Segment profit and segment profit margin".
[2]Reflects results for continuing operations.
[3]Net income from continuing operations, net income from discontinued operations and related earnings per share amounts have been adjusted to reflect the elimination of intersegment expenses, net of tax. The impact of this is an approximate $1.0 million per quarter increase in net income from continuing operations with a corresponding decrease in net income from discontinued operations for each adjusted quarter.

SIGNIFICANT ITEMS CAUSING VARIATIONS IN QUARTERLY RESULTS

- Net income in the fourth quarter of fiscal 2010 was negatively impacted by a charge of $12.9 million related to the Company's organizational restructuring to streamline operating processes.
- Net income in the fourth quarter of fiscal 2010 was negatively impacted by an accrual of $6.0 million related to the new Radio tariffs introduced in July 2010.
- Net income in the second quarter of fiscal 2010 was negatively impacted by $14.3 million in expenses related to the refinancing of the Company's debt.
- Net income in the first quarter of fiscal 2010 was positively impacted by $14.3 million in income tax rate changes and the reversal of a $14.0 million disputed regulatory fee accrual.

FINANCIAL POSITION

Total assets at August 31, 2011 and August 31, 2010 were $2.1 billion. The major change in the Company's financial position resulted from the disposition of the Quebec Radio operations of the business and the separate presentation as discontinued operations in all periods presented. The following discussion describes the significant changes in the consolidated balance sheet since August 31, 2010.

Current assets increased by $47.7 million. Cash and cash equivalents increased by $48.0 million. Refer to the discussion of cash flows in the next section. Accounts receivable increased by $16.9 million, but has decreased from the prior quarter by $11.4 million. The accounts receivable balance typically grows in the first quarter and decreases in the second quarter as a result of the broadcast revenue cycle. The Company carefully monitors the aging of its accounts receivable.

Tax credits receivable increased by $3.5 million as a result of accruals related to film production. Intangibles, investments and other assets increased by $17.4 million, primarily as a result of an increase in intangibles related to the launch of OWN. Capital assets increased by $21.7 million, as spending on Corus Quay continued in fiscal 2011 and was offset by increased depreciation. Broadcast licenses and goodwill balances remained consistent with August 31, 2010. Program and film rights (current and non-current) increased by $12.1 million, as additions of acquired rights of $185.9 million were offset by amortization of $173.8 million during the period. Film investments increased by $2.1 million, as film additions (net of tax credit accruals and transfers to program rights) of $44.7 million was offset by film amortization of $42.6 million during the period.

Accounts payable and accrued liabilities increased by $19.3 million as a result of increased dividends payable, capital leases payable and current program rights payable.

Long-term debt decreased by $91.1 million. The Company utilized cash received from the disposition of the Quebec Radio operations to pay down bank loans. Other long-term liabilities increased by $9.3 million due to increases in unearned revenue, long-term program rights payable, long-term employee obligations and deferred leasehold inducements which were partially offset by reductions in capital lease accruals, merchandising and trademark intangibles.

Share capital increased $26.0 million. The exercise of employee stock options added $13.2 million to share capital and the issuance of shares from treasury under the Company's dividend reinvestment plan added $14.7 million to share capital, which was offset by $2.0 million in costs related to shares repurchased under the normal course issuers bid. Contributed surplus decreased by $2.4 million of which $3.5 million relates to the exercise of employee stock options offset by $1.1 million of stock-based compensation expense.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

Overall, the Company's cash and cash equivalents position increased by $48.0 million in fiscal 2011, compared to a decrease of $3.0 million in the prior year. Free cash flow from continuing operations for fiscal 2011 was $133.3 million, compared to free cash flow of $21.0 million in the prior year. After adding back the impact of business combinations in 2010 and investments in strategic initiatives in 2011, adjusted free cash flow was $61.0 million and $134.9 million respectively. This increase in free cash flow reflects higher cash from operating activities and reduced investment activities, specifically in the area of capital additions. Refer to Key Performance Indicators for a reconciliation of free cash flow to consolidated statements of cash flows.

Cash provided by operating activities from continuing operations in fiscal 2011 was $175.1 million, compared to $140.9 million last year. Net income from continuing operations before non-cash items increased $38.7 million and lower film investments spend of $2.4 million both contributed to the increase in the operating cash flow. In addition, there was an increase in cash flow from working capital changes of $3.1 million. This was offset by a higher spend on program and film rights of $10.0 million.

Cash used in investing activities from continuing operations in fiscal 2011 was $41.7 million, compared to cash used of $119.9 million last year. Additions to capital assets decreased $35.8 million in the current year as the Company completed its build-out of Corus Quay. In the first quarter of fiscal 2010, the Company completed the acquisition of two specialty television services for cash of $40.0 million.

Cash generated from investing activities from discontinued operations in the second quarter fiscal 2011 includes proceeds from the sale of the Quebec Radio operations for cash of $84.0 million, less $9.0 million to be paid in February 2012.

Cash used in financing activities in fiscal 2011 was $147.1 million, compared to cash used of $25.9 million in the prior year. In the current year, the Company used proceeds from the sale of the Quebec Radio operations to repay a portion of bank debt. In the prior year, the Company issued $500.0 million in senior unsecured guaranteed notes, and used the proceeds to repay a portion of the bank debt balance. These transactions resulted in the payment of financing and swap termination fees of $31.0 million.

LIQUIDITY

As at August 31, 2011, the Company has available approximately $385.0 million under a revolving term credit facility. On March 11, 2011, the Company's $500.0 million credit facility with a syndicate of banks was amended. The principal amendments were to reduce interest margins applicable to floating interest rates and extend the maturity date to February 11, 2015. Interest rates on the Company's facility fluctuate with Canadian bankers' acceptances and/or LIBOR.

As at August 31, 2011, the Company had a cash balance of $55.9 million and a positive working capital balance. Management believes that cash flow from operations and existing credit facility will provide the Company with sufficient financial resources to fund its operations for the next 12 months.

NET DEBT TO SEGMENT PROFIT

As at August 31, 2011, net debt was $544.9 million, down from $683.9 million at August 31, 2010. Net debt to segment profit at August 31, 2011 was 1.9 times compared to 2.7 times at August 31, 2010.

OFF-BALANCE SHEET ARRANGEMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

In the second quarter of fiscal 2010, the Company terminated its interest rate swap agreements that had fixed a portion of the interest rate on its bank debt. As a result, the Company has no derivative instruments outstanding as at August 31, 2011.

CONTRACTUAL COMMITMENTS

Corus has the following contractual obligations:

(thousands of Canadian dollars)	Total	Less than one year	One to three years	Four to five years	Beyond five years
Long-term debt	600,796	–	–	100,796	500,000
Interest on notes	197,438	36,250	72,500	72,500	16,188
Program rights purchase commitments	415,894	105,967	151,216	77,031	81,680
Operating leases	386,139	22,793	43,605	41,811	277,930
Capital leases	17,577	8,497	8,623	457	–
Other obligations	12,234	1,770	3,656	3,813	2,995
Total contractual obligations	1,630,078	175,277	279,600	296,408	878,793

In addition to the financial liabilities in the table above, the Company will also pay interest on any bank debt outstanding in future periods. In fiscal 2011, the Company incurred interest on bank debt of $8.3 million (2010 - $16.5 million).

KEY PERFORMANCE INDICATORS

The Company measures the success of its strategies using a number of key performance indicators. These have been outlined below, including a discussion as to their relevance, definitions, calculation methods and underlying assumptions. With the exception of revenues, direct cost of sales, general and administrative expenses and segment profit, the following key performance indicators are not measurements in accordance with Canadian GAAP and should not be considered as an alternative to net income or any other measure of performance under Canadian GAAP.

REVENUE

Revenue is a measurement defined by Canadian GAAP. Revenue is the inflow of cash, receivables or other consideration arising from the sale of product and services and is net of items such as trade or volume discounts and certain excise and sales taxes. It is the base on which free cash flow, a key performance indicator defined below, is determined; therefore, it measures the potential to deliver free cash flow as well as indicating the level of growth in a competitive marketplace.

The primary sources of revenues for the Company are outlined in the "Overview" section.

Corus is well diversified by revenue source with revenue streams for the year ended August 31, 2011, derived primarily from two areas: advertising (47%) and subscriber fees (36%) (2010 – 49% and 37%, respectively).

DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

Consolidated direct cost of sales, general and administrative expenses include amortization of program and film rights (costs of programming intended for broadcast, from which advertising and affiliate subscriber fee revenues are derived), amortization of film investments (costs associated with internally produced and acquired television and film programming, from which distribution and licensing revenues are derived), employee remuneration, regulatory license fees, cost of

goods sold relating to publishing, marketing (research and advertising costs), selling, general administration and overhead costs. Approximately 29% and 38% of consolidated direct cost of sales, general and administrative expenses in fiscal 2011 (2010 – 29% and 39%, respectively) were comprised of employee remuneration and amortization of programming and film costs, respectively.

SEGMENT PROFIT AND SEGMENT PROFIT MARGIN

Segment profit is calculated as revenues less direct cost of sales, general and administrative expenses as reported in the Company's consolidated statements of income and retained earnings. Segment profit may be calculated and presented for an individual operating segment, a line of business or for the consolidated Company. The Company believes this is an important measure as it allows the Company to evaluate the operating performance of its business segments and its ability to service and/or incur debt; therefore, it is calculated before (i) non-cash expenses such as depreciation; (ii) interest expense; and, (iii) items not indicative of the Company's core operating results, and not used in management's evaluation of the business segment's performance such as: goodwill and broadcast license impairment; disputed regulatory fees; debt refinancing; restructuring; and, certain other income and expenses (note 13 to the consolidated financial statements). Segment profit is also one of the measures used by the investing community to value the Company and is included in note 15 to the consolidated financial statements. Segment profit margin is calculated by dividing segment profit by revenues.

Certain key performance indicators are not measurements in accordance with Canadian generally accepted accounting principles ("GAAP") and should not be considered as an alternative to net income or any other measure of performance under Canadian GAAP. The following tables reconcile those key performance indicators that are not in accordance with GAAP measures:

FREE CASH FLOW[1]

Free cash flow is calculated as cash provided by operating activities less cash used in investing activities as reported in the consolidated statements of cash flows. Free cash flow measures the Company's ability to repay debt, finance the business and pay dividends.

(thousands of Canadian dollars)	**2011**	2010
Cash provided by (used in):		
Operating activities	**175,077**	140,873
Investing activities	**(41,749)**	(119,914)
Free cash flow	**133,328**	20,959

[1] Reflects results from continuing operations

NET DEBT

Net debt is calculated as long-term debt less cash and cash equivalents as reported in the consolidated balance sheets. Net debt is an important measure as it reflects the principal amount of debt owing by the Company as at a particular date.

(thousands of Canadian dollars)	**2011**	2010
Long-term debt	**600,796**	691,891
Cash and cash equivalents	**(55,922)**	(7,969)
Net debt	**544,874**	683,922

NET DEBT TO SEGMENT PROFIT

Net debt to segment profit is calculated as net debt divided by segment profit. It is one of the key metrics used by the investing community to measure the Company's ability to repay debt through ongoing operations.

(thousands of Canadian dollars except ratios)	**2011**	2010
Net debt (numerator)	**544,874**	683,922
Segment profit (denominator) [1]	**285,421**	255,969
Net debt to segment profit	**1.9**	2.7

[1] Reflects aggregate amounts for the most recent four quarters from continuing operations, as detailed in the table in the "Quarterly Consolidated Financial Information" section of Management's Discussion and Analysis.

RISKS AND UNCERTAINTIES

IMPACT OF REGULATION ON CORUS' RESULTS OF OPERATIONS

Corus' Radio and Television business activities are regulated by the Canadian Radio-television and Telecommunications Commission ("CRTC") under the *Broadcasting Act* and, accordingly, Corus' results of operations may be adversely affected by changes in regulations, policies and decisions by the CRTC. The CRTC, among other things, issues licenses to operate radio and television stations. Corus' radio stations must also meet technical operating requirements under the *Radiocommunications Act* and regulations promulgated under the *Broadcasting Act*.

The CRTC imposes a range of obligations upon licensees such as scheduling requirements for Canadian Content, Canadian Content spending levels, limits on content genres on certain channels, access obligations (i.e. closed captioning or descriptive video), and other obligations. Changes by the CRTC interpretations of existing policies and regulations could be materially adverse to Corus' business and financial results.

Canadian Content programming is also subject to certification by various agencies of the federal government. If programming fails to so qualify, Corus would not be able to use the programs to meet its Canadian Content programming obligations and Corus might not qualify for certain Canadian tax credits and industry incentives.

In addition, to maintain eligibility under the *Broadcasting Act* and the *Radiocommunications Act*, there are limitations on the ownership by non-Canadians of Corus Class A Voting Shares. Under certain circumstances, Corus' Board of Directors may refuse to issue or register the transfer of Corus Class A Voting Shares to any person that is a non-Canadian or may sell the Corus Class A Voting Shares of a non-Canadian as if they were the owner of such Corus Class A Voting Shares.

Corus' radio, conventional television, specialty television and pay television undertakings rely upon blanket licenses held by rights-holding collectives to make use of the music component of the programming that is used. The royalties payable for these blanket licenses are determined by tariffs set by the Copyright Board under a regime established by the Copyright Act. These royalties are paid by these undertakings on a monthly basis in the normal course of their business.

The levels of the royalties payable by Corus are subject to change upon application by the collecting societies and approval by the Copyright Board. The Government of Canada may, from time to time, make amendments to the *Copyright Act* to implement Canada's international treaty obligations and for other obligations and purposes. Any such amendments could result in Corus' broadcasting undertakings being required to pay additional royalties for these licenses or be subject to additional administrative costs associated with the tariffs.

COMPETITION

Corus encounters aggressive competition in all areas of its business. Corus' failure to compete in these areas could materially adversely affect Corus' results of operations.

The television production industry, television and radio broadcasting services have always involved a substantial degree of risk. There can be no assurance of the economic success of radio stations, music formats, talent, television programs or channels because the revenue derived depends upon audience acceptance of these or other competing programs released into, or channels existing in, the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions, public tastes generally, and other intangible factors, all of which could rapidly change and many of which are beyond Corus' control. The lack of audience acceptance for Corus' radio stations, television programs, specialty and pay television channels would have an adverse impact on Corus' businesses, results of operations, prospects and financial condition.

Radio

The financial success of each of Corus' radio stations is dependent principally upon its share of the overall advertising revenue within its geographic market, its promotional and other expenses incurred to obtain the revenue and the economic strength of its geographic market. These radio advertising revenues are highly dependent upon audience share. Audience share is derived from interest in on-air talent, music formats and other intangible factors. This can be influenced by the competition. Other stations may change programming formats to compete directly with Corus' stations for listeners and advertisers or launch aggressive promotional campaigns in support of already existing competitive formats. If a competitor, particularly one with substantial financial resources, were to attempt to compete in either of these fashions, ratings at Corus' affected stations could be negatively impacted, resulting in lower net revenues.

Radio broadcasting is also subject to competition from other broadcast, online and print media. Potential advertisers can substitute advertising through broadcast television, cable television systems (which can offer concurrent exposure on a number of cable networks to enlarge the potential audience), daily, weekly and free-distribution newspapers, other print media, direct mail and online computer services. Competing media commonly target the customers of their competitors, and advertisers regularly shift dollars from radio to these competing media and vice versa. Accordingly, there can be no assurance that any of Corus' radio stations will be able to maintain or increase their current audience share and advertising revenue share.

Television

The financial success of Corus' specialty and pay television business depends on obtaining revenue from advertising as well as from subscription fees. Numerous broadcast and specialty television networks compete with Corus for advertising revenue, and a failure by Corus to obtain its necessary share of such revenue could materially adversely affect Corus' results of operations. Corus' services also compete with a number of foreign programming services which have been authorized for distribution in Canada by the CRTC. Corus' pay television services are exclusive providers of premium movies and series and offer classic movies to western Canadian subscribers. These services compete with pay-per-view movie offerings as well as video-on-demand offerings. Moreover, increasingly Corus' specialty, pay and conventional television services are competing with alternative forms of entertainment that are not regulated by the CRTC, such as Internet programming, over-the-top services ("OTT"), video and DVD rentals.

This competition takes the form of competition for the supply of programming and also for customers. This can affect both the costs and revenues of an operation. In addition, competition among specialty television services in Canada is highly dependent upon the offering of prices, marketing and advertising support and other incentives to cable operators and other distributors for carriage so as to favourably position and package the services to subscribers. Any failure by Corus to compete effectively in the area of specialty and pay television services could materially adversely affect Corus' results of operations.

The production and distribution of children's television, books and other media content is very competitive. There are numerous suppliers of media content, including vertically integrated major motion picture studios, television networks, independent television production companies and children's book publishers around the world. Many of these competitors are significantly larger than Corus and have substantially greater resources, including easier access to capital. Corus competes with other television and motion picture production companies for ideas and storylines created by third parties as well as for actors, directors and other personnel required for a production.

Further, vertical integration of the television broadcast industry and the creation and expansion of new networks, which create a substantial portion of their own programming, have decreased the number of available time slots for programs produced by third-party production companies. There can be no assurances that Corus will be able to compete successfully in the future or that Corus will continue to produce or acquire rights to additional successful programming or enter into agreements for the financing, production, distribution or licensing of programming on terms favourable to Corus. There continues to be intense competition for the most attractive time slots offered by those services. There can be no assurances that Corus will be able to increase or maintain penetration of broadcast schedules.

RISKS ASSOCIATED WITH PRODUCTION OF FILM AND TELEVISION PROGRAMS AND WEBSITES

Each production is an individual artistic work and its commercial success is determined primarily by the size of the market and audience acceptance. The latter cannot be accurately predicted. The success of a program is also dependent on the type and extent of promotion and marketing activities, the quality and acceptance of other competing programs, general economic conditions and other ephemeral and intangible factors, all of which can rapidly change and many of which are beyond Corus' control.

Production of film and television programs requires a significant amount of capital. Factors such as labour disputes, technology changes or other disruptions affecting aspects of production may affect Corus or its co-production partners and cause cost overruns and delay or hamper completion of a production.

Financial risks exist in productions relating to tax credits and co-production treaties. The aggregate amount of government tax credits a project may receive can constitute a material portion of a production budget and typically can be as much as 30% of total budgeted costs. There is no assurance that government tax credits and industry funding assistance programs will continue to be available at current levels or that Corus' production projects will continue to qualify for them. As well, a significant number of Corus' productions are co-productions involving international treaties that allow Corus to access foreign financing and reduce production risk as well as qualify for Canadian government tax credits. If an existing treaty between Canada and the government of one of the current co-production partners were to be abandoned, one or more co-productions currently underway may also need to be abandoned. Losing the ability to rely on co-productions would have a significant adverse effect on Corus' production capabilities and production financing.

Results of operations for the production and distribution business within the Kids business for any period are dependent on the number, timing and commercial success of television programs and feature films delivered or made available to various media, none of which can be predicted with certainty. Consequently, current revenue from production and distribution may fluctuate materially from period to period and the results of any one period are not necessarily indicative of results for future periods. Cash flows may also fluctuate and are not necessarily closely correlated with revenue recognition.

Library revenue from production and distribution can vary substantially from year to year, both by geographic territory and by year of production. The timing of the Company's ability to sell library product in certain territories will depend on the market outlook in the particular territory and the availability of product by territory, which depends on the extent and term of any prior sale in that territory.

The production of websites related to Corus' Television and Radio brands generates hundreds of pages of content each day. This content is in many forms including text, graphics, databases, photographs, audio files, radio files and interactive content such as online games and third-party posts of content and links. Corus takes steps to ensure that procedures are in place to clear rights and to vet third-party content. There remains a risk, however, that some potentially defamatory or infringing content can be posted on a Corus website. Corus carries insurance coverage against this risk but there remains a limited risk of liability to third-party claims.

RISKS ASSOCIATED WITH MERCHANDISING

Merchandising brands success depends on consumers' tastes and preferences that can change in unpredictable ways. The company depends on the acceptance by consumers of our merchandise offerings, therefore, our success depends on our ability to predict and take advantage of consumer tastes in Canada and around the world. In addition, we derive royalties from the sale of licensed merchandise by third parties. We are dependent on the success of those third parties. Factors that negatively impact those third parties could adversely affect the Company's operating results.

INTELLECTUAL PROPERTY RIGHTS

Corus' trademarks, copyrights and other proprietary rights are important to the Company's competitive position. In particular, the Content group must be able to protect its trademarks, copyrights and other proprietary rights to competitively produce, distribute and license its television programs and published materials and market its merchandise. Accordingly, Corus devotes the Company's resources to the establishment and protection of trademarks, copyrights and other proprietary rights on a worldwide basis. However, from time to time, various third parties contest or infringe upon the Company's intellectual property rights. The Company reviews these matters to determine what, if any, actions may be required or should be taken, including legal action or negotiated settlement. There can be no assurance that the Company's actions to establish and protect trademarks, copyrights and other proprietary rights will be adequate to prevent imitation or unauthorized reproduction of the Company's products by others or prevent third parties from seeking to block sales, licensing or reproduction of these products as a violation of their trademarks, copyrights and proprietary rights.

Moreover, there can be no assurance that others will not assert rights in, or ownership of, the Company's trademarks, copyrights and other proprietary rights, or that the Company will be able to successfully resolve these conflicts. In addition, the laws of certain foreign countries may not protect proprietary rights to the same extent as do the laws of the United States or Canada.

TECHNOLOGICAL DEVELOPMENTS

New or alternative media technologies and business models, such as digital radio services, satellite radio, direct-to-home satellite, wireless and wired cable television, internet programming and video programming, mobile devices and online publications have recently begun to compete, or may in the future compete, for programming, audiences and advertising revenues. These technologies and business models may increase audience fragmentation, reduce the Company's ratings or have an adverse effect on advertising revenues from local and national audiences. These or other technologies and business models may have a material adverse effect on Corus' business, results of operations or financial condition.

ACQUISITIONS

In the future, the Company may make strategic acquisitions which involve significant risks and uncertainties. As such, the Company may experience difficulties in integrating these operations. Failure to effectively integrate an acquired business could materially adversely affect the Company.

DISTRIBUTION

Corus enters into long-term agreements with various cable and satellite providers for the distribution of its television services. As the contracts expire, there could be a negative impact on revenue if the Company is unable to renew them on acceptable terms.

ECONOMIC CONDITIONS

The Company's operating performance depends on Canadian and worldwide economic conditions. Economic uncertainty could impact demand for Corus' advertising air time as companies reduce their advertising spending. There can be no assurance that an economic decline will not adversely affect the Company's operating results.

CAPITAL MARKETS

The Company may require continuing access to capital markets to sustain its operations. Disruptions in the capital markets, including changes in market interest rates or the availability of capital, could have a material adverse effect on the Company's ability to raise or refinance debt.

INTEREST RATE AND FOREIGN EXCHANGE RISK

Corus has the following financial exposures in its day-to-day operations:

Interest Rates

The Company utilizes long-term financing extensively in its capital structure, which includes a banking facility, as more fully described in note 9 to the consolidated financial statements.

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and/or LIBOR.

The Company manages its exposure to floating interest rates through maintaining a balance of fixed rate and floating rate debt. As at August 31, 2011, 83% of the Company's consolidated long-term debt was fixed with respect to interest rates.

Foreign Exchange

A portion of the Company's revenues and expenses is in currencies other than Canadian dollars and, therefore, is subject to fluctuations in exchange rates. Approximately 10% of Corus' total revenues were in foreign currencies, the majority of which was U.S. dollars.

The impact of foreign exchange gains and losses are described in note 21 to the consolidated financial statements.

CONTINGENCIES

The Company and its subsidiaries are involved in litigation arising in the ordinary course and conduct of its business. The Company recognizes liabilities for contingencies when a loss is probable and capable of being estimated. As at August 31, 2011, there were no actions, suits or proceedings pending or against the Company or its subsidiaries which would, in management's estimation, likely be determined in such a manner as to have a material adverse effect on the business of the Company.

TRANSACTIONS WITH RELATED PARTIES

The Company has transacted business in the normal course with entities that are subject to common voting control and with entities over which the Company exercises significant influence. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, and have normal trade terms.

During the year, the Company received cable service subscriber, programming and advertising fees of $127,745 (2010 - $124,889), production and distribution revenue of $968 (2010 - $1,156) and administrative and other fees of $6,296 (2010 - $5,404) from related parties. In addition, the Company paid cable and satellite system distribution access fees of $4,367 (2010 - $4,633) and administrative and other fees of $2,649 (2010 - $3,514) to related parties. As at August 31, 2011, the Company had $28,697 (2010 - $29,534) receivable from related parties.

The Company provided related parties with interactive impressions, radio and television spots in return for television advertising. No monetary consideration was exchanged for these transactions.

Certain officers of the Company are currently indebted to the Company in connection with the purchase of Class B Non-Voting Shares and relocation housing loans. The loans granted by the Company do not bear interest. The aggregate amount of such indebtedness as of August 31, 2011 was $0.4 million.

OUTSTANDING SHARE DATA

As at September 30, 2011, 3,436,746 Class A Voting Shares and 78,949,623 Class B Non-Voting Shares were issued and outstanding. Class A Voting Shares are convertible at any time into an equivalent number of Class B Non-Voting Shares. The Class B Non-Voting Shares are convertible into an equivalent number of Class A Voting Shares in limited circumstances as described in the Company's Annual Information Form.

IMPACT OF NEW ACCOUNTING POLICIES

There are no pending accounting changes under Canadian GAAP that will be adopted prior to conversion to International Financial Reporting Standards ("IFRS").

RECENT ACCOUNTING PRONOUNCEMENTS

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that the use of IFRS will be required in Canada for publicly accountable profit-oriented enterprises for fiscal years beginning on or after January 1, 2011. The Company will be required to report using IFRS beginning September 1, 2011. The Company's first annual IFRS financial statements will be for the year ending August 31, 2012 and will include the comparative period of 2011. Starting in the first quarter of 2012, unaudited consolidated quarterly financial information will be provided in accordance with IFRS, including comparative figures for 2011.

Beginning in the first quarter of fiscal 2010, a detailed analysis commenced and was substantially completed in fiscal 2011. In this phase, the Company performed a detailed analysis of IFRS, including the identification of the differences between IFRS and Corus' current accounting policies. Management determined and concluded on the options permitted under IFRS as of the transition date, and the adjustments required as at the transition date in order to present the Company's consolidated opening balance sheet under IFRS.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. In the period leading to the changeover, the International Accounting Standards Board (the "IASB") continues to issue new accounting standards that will be effective for our first annual reporting date under IFRS, i.e. August 31, 2012. While the IASB's most recent project plan does not anticipate any further changes to IFRS between now and August 31, 2012, the IASB may, at its discretion, implement changes to IFRS with an effective date of August 31, 2012 or earlier. Such changes, if implemented, could give rise to transitional adjustments that differ from those detailed below.

CHANGES IN ACCOUNTING POLICIES

As discussed above, the IASB, at its discretion, may issue new accounting standards during the conversion period, and as a result, the final impact of IFRS on our consolidated financial statements will only be measured once all the IFRS applicable at the effective date are definitively known. Consequently, our analysis and estimates of changes and policy decisions have been made based on our current expectations regarding the accounting standards that we anticipate will be effective at the time of transition. The future impacts of IFRS will also depend on the particular circumstances prevailing in those years. See the section entitled "Cautionary statement regarding forward-looking statements, and Risks and uncertainties".

Set out below are the key areas where changes in accounting policies are expected to impact our consolidated financial statements. The list and comments should not be regarded as a complete list of estimated changes that will result from transition to IFRS and are intended to highlight those areas the Company currently believes to be most significant.

Key accounting area	Differences from Canadian GAAP, with potential impact for the Company
Impairment of assets – Broadcast Licenses	Differences from existing Canadian GAAP: IAS 36, *Impairment of Assets* ("IAS 36"), indefinite-life intangible assets are not amortized, rather they are tested for impairment annually, as is the case under current Canadian GAAP. Under previous Canadian GAAP (prior to Fiscal 2002) indefinite-life intangibles assets were amortized. Therefore, previously recorded amortization of broadcast licenses, prior to the Canadian GAAP accounting policy change will be reversed at the effective date. Such reversal will increase the broadcast licenses carrying value and retained earnings opening balance in the Television and Radio segments. IAS 36, uses a one-step approach for both testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). Canadian GAAP however, uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with fair values. Additionally, under Canadian GAAP, assets are grouped at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities for impairment testing purposes. IFRS requires that assets be tested for impairment at the level of cash generating units, which is the lowest level of assets that generate largely independent cash inflows. These lower-level groups could result in identification of impairment more frequently under IFRS, but of potentially smaller amounts. However, with the exception of goodwill, any impairment losses may potentially be offset by the requirement under IAS 36 to reverse any previous impairment losses where circumstances have changed. Canadian GAAP prohibits reversal of impairment losses. Management continues to assess the final impact.
Program rights	Differences from existing Canadian GAAP: Under IFRS program rights can be considered inventory (IAS 2 – *Inventory*) or intangibles (IAS 38 - *Intangibles*). In the case of licensed programs held with a view to broadcast them to an audience we have determined that it is more appropriate to account for program rights as intangible assets. In addition, IAS 38, *Intangible Assets*, requires that the amortization method used shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity. If that pattern cannot be determined reliably, the straight-line method shall be used. Certain of our networks are required under IFRS to adopt a straight-line method of amortization. Management continues to assess the final impact.

Key accounting area	Differences from Canadian GAAP, with potential impact for the Company
Impairment of assets - Film investments	Differences from existing Canadian GAAP: Under previous Canadian GAAP for assets carried at cost, when there is objective evidence that these assets are impaired, and there is a decline in recoverable amount below cost that is significant, prolonged and other than temporary, the asset is written down to its estimated fair value and impairment losses are not reversed. Under IFRS the decline in fair value can be significant or prolonged and need not be a permanent impairment. This difference is expected to impact the accounting measurement of our film investments. Management continues to assess the final impact.
Share-based payments	Differences from existing Canadian GAAP: IFRS 2, *Share-Based Payments*, requires that cash–settled stock-based payments to employees are measured (both initially and at each reporting date) based on fair values of the awards, which are determined using an option pricing model. Canadian GAAP requires that such payments be measured based on intrinsic values of the awards, which are determined with reference to the market price of the Company's underlying shares. This difference is expected to impact the accounting measurement of our stock-based payments, including our restricted share units and deferred share units. In addition, IFRS 2 requires that the compensation costs for stock options be recognized over the period in which the related employee services are rendered. The stock option award costs are recognized from the grant date to the date the award is vested. Corus stock option awards have a graded vesting schedule and therefore there are separate tranches of awards within each grant. This difference is expected to accelerate expense recognition as the costs for each tranche of grants will be recognized over a shorter time period than under previous Canadian GAAP. Management continues to assess the final impact.
Income taxes	Differences from Canadian GAAP: Canadian GAAP requires us to segregate the current and non-current portions of future income tax liabilities and future income tax assets. Under IFRS, deferred tax assets or liabilities cannot be classified as current. As a result, we expect to reclassify our current future tax asset to a non-current deferred tax asset upon adoption of IFRS. Under Canadian GAAP, where the tax basis of an intangible asset depends on whether the asset is utilized or sold, the tax basis of the asset is considered to be the greater of those amounts. Under IFRS, if our intention is to recover an intangible asset through use, the tax basis of the asset is the amount that will be deductible for tax purposes against any taxable economic benefits; the tax basis that would result from a sale is not relevant where the intention is to recover the asset through use. As it is our intention to recover our intangible assets through use, we expect to increase the deferred tax liability related to intangible assets. Management continues to assess the final impact.

Key accounting area	Differences from Canadian GAAP, with potential impact for the Company
Borrowing costs	Differences from existing Canadian GAAP: IAS 23, *Borrowing Costs* ("IAS 23"), requires the capitalization of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Under Canadian GAAP, we elected the accounting policy choice to expense these costs as incurred. Under IFRS, we will capitalize borrowing costs to capital assets that take in excess of one year to build or develop. Amounts capitalized will be amortized using the straight-line method over the estimated useful life of the corresponding asset. IFRS 1 provides an election that permits application of the requirements of IAS 23 prospectively from the date of transition, September 1, 2010; therefore there is no change to the opening IFRS balance sheet. There is no impact on net income for the year ended August 31, 2011.
Available-for-Sale Financial Assets	Under Canadian GAAP, we initially recorded our portfolio investments in privately-held securities at their fair value at the date of acquisition; subsequent changes in the fair value of these investments were recorded when realized or when we determined that a decline in fair value is other than temporary. Under IFRS, changes in the fair value of portfolio investments in privately-held securities are recorded if the range of fair value estimates is not significant or the probabilities of the estimates within the range can be reasonably assessed and used in estimating fair value. Changes in fair value are recorded in other comprehensive income. Management continues to assess the final impact.
Reclassifications	Differences from existing Canadian GAAP: Under previous Canadian GAAP, current and long-term assets and liabilities of discontinued operations are retroactively presented separately. Under IFRS, assets and liabilities associated with assets held for sale are presented in total. IFRS requires non-controlling interest to be classified as a component of equity. Under previous Canadian GAAP, non-controlling interest was classified outside of equity. In addition, in the statements of income and comprehensive income under IFRS, net income and comprehensive income are calculated before non-controlling interest and are then attributed to shareholders and non-controlling interest. Under previous Canadian GAAP, non-controlling interest was presented as a component of net income and comprehensive income.

The Company's adoption of IFRS will require the application of IFRS 1, First-Time Adoption of International Financial Reporting Standards ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires that an entity apply all IFRS effective at the end

of its first IFRS reporting period retrospectively. However, IFRS 1 does include certain mandatory exceptions and limited optional exemptions in specified areas of certain standards from this general requirement. The following are the significant optional exemptions available under IFRS 1 that we expect to apply in preparing our first financial statements under IFRS:

Exemption	Application of exemption
Business combinations	The Company expects to elect not to restate any business combinations that occurred prior to September 1, 2010.
Borrowing costs	We expect to elect to apply the requirements of IAS 23 *Borrowing Costs* which require capitalization of interest costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset prospectively from September 1, 2010.
Cumulative translation differences	The Company expects to elect to reset cumulative translation differences for foreign operations to zero at September 1, 2010.

The information above is provided to allow investors and others to obtain a better understanding of our IFRS changeover plan and the resulting possible effects on, for example, our financial statements and operating performance measures. These are estimates based on our current understandings, and readers are cautioned that it may not be appropriate to use such information for any other purpose. This information also reflects our most recent assumptions and expectations; circumstances may arise, such as changes in IFRS, regulations or economic conditions, which could change these assumptions, expectations or quantified amounts.

CRITICAL ACCOUNTING ESTIMATES

The Company's significant accounting policies are described in note 2 to the consolidated financial statements. The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant assumptions made by management in the preparation of the Company's consolidated financial statements include future revenue projections for investments in film and television programs; provisions for doubtful accounts to reflect credit exposures; valuation allowances and impairment assessments for various assets including investments in film and television programs; property, plant and equipment; long-term investments; current and future income taxes; broadcast licenses and goodwill. Actual results could differ from those estimates. The policies described below are considered to be critical accounting estimates, as they require significant estimation or judgment.

FILM INVESTMENTS

The individual-film-forecast-computation method is used to determine amortization. Under this method, capitalized costs for an individual film or television program are amortized in the

proportion that current period actual revenues bear to management's estimates of the total revenue expected to be received from such film or television program over a period not to exceed 10 years from the date of delivery. As a result, if revenue estimates change with respect to a film or television program, the Company may be required to write down all or a portion of the unamortized costs of such film or television program, therefore impacting direct cost of sales, general and administrative expenses, and profitability.

BROADCAST LICENSES AND GOODWILL

The cost incurred in a business combination is allocated to the fair value of related net identifiable tangible and intangible assets acquired. Historically, net identifiable intangible assets acquired consist primarily of broadcast licenses. The excess of the cost of acquiring these businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill.

Broadcast licenses are considered to have an indefinite life based on management's intent and ability to renew the licenses without substantial cost and without material modification of the existing terms and conditions of the license. No assurance can be given that the Company will be able to renew its licenses or that substantial cost or material modification of the existing terms and conditions will not be incurred.

Broadcast licenses and goodwill are tested for impairment annually or more frequently if events or changes in circumstances indicate that they are impaired. The Company has selected August 31 as the date it performs its annual impairment test. The fair value of the Company's intangible assets is exposed to future adverse changes if the Company experiences declines in operating results, significant negative industry or economic trends, or if future performance is below historical trends. No assurance can be given that the Company will not have to record further impairment charges in the future.

INCOME TAXES

The liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws which are expected to be in effect when the differences are expected to reverse. Certain assumptions are required in order to determine the provision for income taxes, including filing positions on certain items and the realization of future tax assets.

The Company is audited regularly by federal and provincial authorities in the areas of income taxes and the remittance of sales taxes. These audits consider the timing and amount of deductions and compliance with federal and provincial laws. To the extent that the Company's filing positions are challenged, the Company's effective tax rate in a given financial statement period could be materially affected.

The recognition of future tax assets depends on management's assumption that future earnings will be sufficient to realize the future benefit. No assurance can be given that future earnings will be sufficient to realize the future benefit.

CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer and Chief Financial Officer, together with management, are responsible for establishing and maintaining disclosure controls and procedures (as defined in National Instrument 52-109) and have designed such disclosure controls and procedures (or

caused it to be designed under their supervision) to provide reasonable assurance that material information with respect to Corus, including its consolidated subsidiaries, is made known to them. Disclosure controls and procedures ensure that information required to be disclosed by Corus in the reports that it files or submits under the provincial securities legislation is recorded, processed, summarized and reported, within the time periods required. Corus has adopted or formalized such controls and procedures as it believes are necessary and consistent with its business and internal management and supervisory practices.

The Company's Chief Executive Officer and Chief Financial Officer, supported by Corus' management, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by these annual filings, and have concluded that, as of August 31, 2011, the Company's disclosure controls and procedures were effective.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer together with management, are responsible for designing internal control over financial reporting (or cause it to be designed under their supervision) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting in accordance with Canadian GAAP.

The Chief Executive Officer and Chief Financial Officer, supported by Corus' management, evaluated the effectiveness of the Company's internal control over financial reporting, as of August 31, 2011, based on the framework set forth in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on its evaluation under this framework, management concluded that the Company's internal control over financial reporting was effective as of that date.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There were no changes in the Company's internal control over financial reporting that occurred during fiscal 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of certain events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Annual Information Form, can be found on SEDAR at www.sedar.com.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Corus Entertainment Inc. ("Corus") and all the information in this Annual Report are the responsibility of management and have been approved by the Board of Directors (the "Board").

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects. Management has prepared the financial information presented elsewhere in this Annual Report and has ensured that it is consistent with the consolidated financial statements.

Corus maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded. During the past year, management has maintained the operating effectiveness of internal control over external financial reporting. As at August 31, 2011, our Chief Executive Officer and Chief Financial Officer evaluated, or caused an evaluation under their direct supervision of, the design and operation of our internal controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) and, based on that assessment, determined that our internal controls over financial reporting were appropriately designed and operating effectively.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting, and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility through its Audit Committee (the "Committee").

The Committee is appointed by the Board, and the majority of its members are outside unrelated directors. The Committee meets periodically with management, as well as with the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting items, to satisfy itself that each party is properly discharging its responsibilities, and to review the Annual Report, the consolidated financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Ernst & Young LLP has full and free access to the Committee.

John M. Cassaday
President and
Chief Executive Officer

Thomas C. Peddie FCA
Executive Vice President
and Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CORUS ENTERTAINMENT INC.

We have audited the accompanying consolidated financial statements of Corus Entertainment Inc., which comprise the consolidated balance sheets as at August 31, 2011 and 2010, and the consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Corus Entertainment Inc. as at August 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Toronto, Canada
October 26, 2011

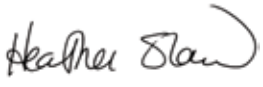
Ernst & Young LLP
Chartered Accountants
Licensed Public Accountants

CONSOLIDATED BALANCE SHEETS

As at August 31 (in thousands of Canadian dollars)	**2011**	2010
Assets *(note 9)*		*(note 16)*
Current		
Cash and cash equivalents	**55,922**	7,969
Accounts receivable *(notes 3 and 25)*	**178,531**	161,645
Income taxes recoverable	**603**	1,445
Prepaid expenses and other	**13,497**	17,040
Program and film rights	**160,590**	159,526
Future tax asset *(note 14)*	**7,615**	6,129
Current assets of discontinued operations *(note 16)*	**—**	15,287
Total current assets	**416,758**	369,041
Tax credits receivable	**43,108**	39,597
Intangibles, investments and other assets *(note 4)*	**39,980**	22,595
Property, plant and equipment *(note 5)*	**169,600**	147,905
Program and film rights	**99,543**	88,484
Film investments *(note 6)*	**102,540**	100,454
Broadcast licenses *(note 7)*	**541,248**	541,248
Goodwill *(note 7)*	**671,827**	671,827
Long-term assets of discontinued operations *(note 16)*	**—**	78,104
	2,084,604	2,059,255
Liabilities and shareholders' equity		
Current		
Accounts payable and accrued liabilities *(note 8)*	**212,607**	193,342
Current liabilities of discontinued operations *(note 16)*	**—**	10,080
Total current liabilities	**212,607**	203,422
Long-term debt *(note 9)*	**600,796**	691,891
Other long-term liabilities *(note 10)*	**97,314**	88,003
Future tax liability *(note 14)*	**96,013**	90,641
Long-term liabilities of discontinued operations *(note 16)*	**—**	11,295
Total liabilities	**1,006,730**	1,085,252
Non-controlling interest	**19,200**	18,055
Shareholders' equity		
Share capital *(note 11)*	**882,679**	856,655
Contributed surplus *(note 11)*	**9,361**	11,780
Retained earnings	**179,207**	98,669
Accumulated other comprehensive loss *(note 22)*	**(12,573)**	(11,156)
Total shareholders' equity	**1,058,674**	955,948
	2,084,604	2,059,255

Commitments, contingencies and guarantees *(notes 9 and 24)*

See accompanying notes



On behalf of the Board:

John M. Cassaday
Director

Heather A. Shaw
Director

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the years ended August 31 (in thousands of Canadian dollars, except per share amounts)	**2011**	2010 *(note 16)*
Revenues *(notes 23 and 25)*	**825,213**	767,530
Direct cost of sales, general and administrative expenses *(notes 11, 21, 24 and 25)*	**539,792**	511,561
Depreciation	**24,922**	20,122
Interest expense *(notes 9 and 12)*	**57,276**	44,222
Disputed regulatory fees *(note 24)*	**—**	(14,015)
Debt refinancing *(note 9)*	**—**	14,256
Restructuring *(note 8)*	**3,694**	12,924
Other expense (income), net *(notes 13, 21 and 24)*	**(4,060)**	19,477
Income from continuing operations before income taxes and non-controlling interest	**203,589**	158,983
Income tax expense *(note 14)*	**55,106**	33,437
Non-controlling interest	**7,209**	5,884
Net income for the year from continuing operations	**141,274**	119,662
Net income for the year from discontinued operations *(note 16)*	**5,023**	7,072
Net income for the year	**146,297**	126,734
Basic earnings per share *(note 11)*		
From continuing operations	**$1.73**	$1.48
From discontinued operations	**$0.06**	$0.09
	$1.79	$1.57
Diluted earnings per share *(note 11)*		
From continuing operations	**$1.72**	$1.47
From discontinued operations	**$0.06**	$0.09
	$1.78	$1.56

Net income for the year	**146,297**	126,734
Other comprehensive income (loss) net of tax		
Unrealized foreign currency translation adjustment	**(1,551)**	(24)
Unrealized change in fair value of available-for-sale investments, net of tax	**134**	200
Unrealized change in fair value of cash flow hedges, net of tax	**—**	3,431
Recognition of change in fair value of cash flow hedge in net income, net of tax	**—**	9,244
	(1,417)	12,851
Comprehensive income for the year	**144,880**	139,585

See accompanying notes

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended August 31 (in thousands of Canadian dollars)	**2011**	2010
Share capital		
Balance, beginning of year	**856,655**	840,602
Issuance of shares under stock option plan	**13,232**	12,027
Shares repurchased *(note 11)*	**(1,976)**	—
Issuance of shares under dividend reinvestment plan	**14,657**	3,731
Other	**111**	295
Balance, end of year	**882,679**	856,655
Contributed surplus		
Balance, beginning of year	**11,780**	17,303
Stock-based compensation *(note 11)*	**1,102**	907
Settlement and modification of long-term incentive plan *(note 11)*	**—**	(4,659)
Exercise of stock options	**(3,521)**	(1,771)
Balance, end of year	**9,361**	11,780
Retained earnings		
Balance, beginning of year	**98,669**	20,380
Net income for the year	**146,297**	126,734
Dividends declared *(note 11)*	**(64,030)**	(48,445)
Shares repurchased excess	**(1,729)**	—
Balance, end of year	**179,207**	98,669
Accumulated other comprehensive loss		
Balance, beginning of year	**(11,156)**	(24,007)
Other comprehensive income (loss), net of tax	**(1,417)**	12,851
Balance, end of year	**(12,573)**	(11,156)

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended August 31 (in thousands of Canadian dollars)	**2011**	2010
Operating activities	***(note 16)***	*(note 16)*
Net income for the year	**146,297**	126,734
Earnings for the year from discontinued operations	**(5,023)**	(7,072)
Add (deduct) non-cash items:		
Depreciation	**24,922**	20,122
Amortization of program rights	**173,805**	165,950
Amortization of film investments	**42,620**	38,456
Future income taxes	**3,886**	(15,227)
Non-controlling interest	**7,209**	5,884
Stock option expense	**1,102**	907
Imputed interest	**10,770**	8,635
Debt refinancing	**—**	14,256
Gain on property disposal	**(3,422)**	—
Other	**(2,860)**	1,945
Net change in non-cash working capital balances related to operations *(note 20)*	**14,766**	11,644
Payment of program and film rights	**(177,325)**	(167,310)
Net additions to film investments	**(61,670)**	(64,051)
Cash provided by operating activities from continuing operations	**175,077**	140,873
Cash provided by (used in) operating activities from discontinued operations	**(13,262)**	3,193
Cash provided by operating activities	**161,815**	144,066
Investing activities		
Additions to property, plant and equipment	**(45,991)**	(81,839)
Business combinations *(note 16)*	**—**	(40,000)
Proceeds from asset disposition	**7,971**	—
Net cash flows for intangibles, investments and other assets	**(2,456)**	2,745
Decrease in public benefits associated with acquisitions	**(1,273)**	(820)
Cash used in investing activities from continuing operations	**(41,749)**	(119,914)
Cash provided by (used in) investing activities from discontinued operations	**74,996**	(1,210)
Cash provided by (used in) investing activities	**33,247**	(121,124)
Financing activities		
Decrease in bank loans	**(92,838)**	(444,938)
Issuance of senior unsecured guaranteed notes	**—**	500,000
Financing and swap termination fees	**(750)**	(30,997)
Issuance of shares under stock option plan	**9,711**	10,256
Shares repurchased	**(3,705)**	—
Dividends paid	**(45,528)**	(44,605)
Dividend paid to non-controlling interest	**(5,107)**	(10,220)
Capital lease payments and other	**(8,892)**	(5,391)
Cash used in financing activities from continuing operations	**(147,109)**	(25,895)
Net decrease in cash and cash equivalents during the year from continuing operations	**(13,781)**	(4,936)
Net increase in cash and cash equivalents during the year from discontinued operations	**61,734**	1,983
Net increase (decrease) in cash and cash equivalents during the year	**47,953**	(2,953)
Cash and cash equivalents, beginning of year	**7,969**	10,922
Cash and cash equivalents, end of year	**55,922**	7,969

Supplemental cash flow disclosures *(note 20)*
See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2011 and 2010 (in thousands of Canadian dollars, except share information)

1. CORPORATE INFORMATION

Corus Entertainment Inc. ("Corus" or the "Company") is a diversified Canadian communications and entertainment company. The Company is incorporated under the *Canada Business Corporations Act* and its Class B Non-Voting Shares are listed on the Toronto Stock Exchange (the "TSX").

The Company's principal business activities are the operation of radio stations; and the operation of specialty, pay and conventional television networks and the Nelvana content business which consists of the production and distribution of television programs, merchandise licensing and publishing.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP").

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of Corus and all of its subsidiaries, all of which are wholly owned except for Country Music Television Limited (80% interest), Telelatino Network Inc. (50.5% interest), DUSK (51% interest) and Cosmopolitan TV (54% interest), as well as its proportionate share of the accounts of its joint ventures. Investments in entities over which the Company exercises significant influence are accounted for using the equity method. Intercompany transactions and balances have been eliminated on consolidation. The results of operations of subsidiaries acquired during the year are included from their respective dates of acquisition.

USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant assumptions made by management in the preparation of the Company's consolidated financial statements include future revenue projections for investments in film and television programs; provisions for doubtful accounts to reflect credit exposures; valuation allowances and impairment assessments for various assets including investments in film and television programs; property, plant and equipment; long-term investments; current and future income taxes; broadcast licenses and goodwill. Actual results could differ from those estimates, as they require significant estimation or judgment.

REVENUE RECOGNITION

Advertising revenues are recognized in the period in which the advertising is aired under broadcast contracts.

Subscriber fee revenues are recognized monthly based on subscriber levels.

Production and distribution revenues from the distribution and licensing of film rights are recognized when all of the following conditions are met: (i) persuasive evidence of a sale or

licensing arrangement with a customer exists; (ii) the film is complete and has been delivered or is available for immediate and unconditional delivery; (iii) the license period of the arrangement has begun; (iv) the arrangement fee is fixed or determinable; and, (v) collection of the arrangement fee is reasonably assured. Non-refundable recoupable minimum guarantees received under licensing arrangements for home videos where film titles are cross-collateralized are deferred and recognized as revenue over the license term when the underlying home videos are sold as reported by third parties.

Customer advances on contracts are recorded as unearned revenue until all of the foregoing revenue recognition conditions have been met.

Non-refundable advances that are not cross-collateralized and royalties from merchandise licensing, publishing and music contracts are recognized when the license period has commenced and collection is reasonably assured. Advances that are cross-collateralized are deferred and recognized as revenue over the license term when the underlying royalties are reported as earned by third parties.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and short-term deposits with maturities of less than three months at the date of purchase. Cash that is held in escrow, or otherwise restricted from use, is excluded from current assets and is reported separately from cash and cash equivalents.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost less accumulated depreciation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Land and assets not available for use	Not depreciated
Broadcasting equipment	10 years
Production equipment	5 years
Leasehold improvements	Lease term
Buildings	20–40 years
Computer equipment	3 years
Furniture and fixtures	7 years
Other	4–10 years

INTANGIBLE ASSETS

Intangible assets represent rights acquired from third parties to utilize brand names, trademarks or branded materials exclusively in a licensed territory. The assets and liabilities related to these rights are recorded when the license period has begun and the cost of the rights is known or reasonably determinable. Long-term liabilities related to these rights are recorded at the net present value of future cash flows, using an appropriate discount rate. These costs are amortized over the term of the agreement. Intangible assets are carried at cost less accumulated amortization.

PROGRAM RIGHTS

Program rights represent contract rights acquired from third parties to broadcast television programs, feature films and radio programs. The assets and liabilities related to these rights are recorded when the license period has begun and all of the following conditions have been met: (i) the cost of the rights is known or reasonably determinable; (ii) the program material is accepted by the Company in accordance with the license agreement; and, (iii) the material is available to the Company for airing. Long-term liabilities related to these rights are recorded at the net present value of future cash flows, using an appropriate discount rate. These costs are amortized over the

contracted exhibition period as the programs or feature films are aired. Program and film rights are carried at cost less accumulated amortization. If program rights, feature films or radio programs are not scheduled they are considered impaired and written off.

Amortization of program rights is included in direct cost of sales, general and administrative expenses and has been disclosed separately in the consolidated statements of cash flows.

FILM INVESTMENTS

Film investments represent the costs of projects in development, projects in process, the unamortized costs of proprietary films and television programs that have been produced by the Company or for which the Company has acquired distribution rights, and investments in third-party-produced film projects. Such costs include development and production expenditures and attributed studio and other costs that are expected to benefit future periods. Typically, costs are capitalized upon project greenlight.

The individual-film-forecast-computation method is used to determine amortization. Under this method, capitalized costs and the estimated total costs of participations and residuals, net of anticipated federal and provincial program contributions, production tax credits and co-producers' share of production costs, are charged to amortization expense on a series or program basis in the same ratio that current period actual revenue (numerator) bears to estimated remaining unrecognized ultimate revenue as of the beginning of the current fiscal year (denominator). Ultimate revenue is projected for periods not exceeding 10 years from the date of delivery or acquisition. For episodic television series, ultimate revenue includes estimates of revenue over a period not to exceed 10 years from the date of delivery of the first episode or, if still in production, five years from the date of delivery of the most recent episode, if later. Estimates of gross revenue can change significantly due to the level of market acceptance of film and television products. Accordingly, revenue estimates are reviewed periodically and amortization is adjusted. Such adjustments could have a material effect on the results of operations in future periods.

The Company reviews the status of projects in development quarterly. If, in the opinion of management, any such projects will not progress toward production, the accumulated costs are charged to direct cost of sales. Projects are written off at the earlier of: (i) the date determined not to be recoverable, or when projects under development are abandoned; and, (ii) three years from the date of the initial investment.

Projects in process represent the accumulated costs of television series or feature films currently in production.

Completed project and distribution rights are stated at the lower of unamortized cost and recoverable amount as determined on a series or program basis. Revenue and cost forecasts for each production are evaluated quarterly in connection with a comprehensive review of the Company's film investments, on a title-by-title basis. When an event or change in circumstances indicates that the fair value of a film is less than its unamortized cost, the carrying value is compared to the future cash flows and if the carrying value is not recoverable, the carrying value is written down to fair value. Fair value of the film is determined using management's estimates of future revenues under a discounted cash flow approach. A writedown is recorded equivalent to the amount by which the unamortized cost exceeds the estimated fair value of the film.

Investments in third-party-produced film projects are carried at the lower of cost and fair value.

Amortization of film investments is included in direct cost of sales, general and administrative expenses and has been disclosed separately in the consolidated statements of cash flows.

BROADCAST LICENSES AND GOODWILL

The cost incurred in a business combination is allocated to the fair value of related identifiable tangible and intangible assets acquired. Historically, identifiable intangible assets acquired consist primarily of broadcast licenses. The excess of the cost of acquiring these businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill.

Broadcast licenses are considered to have an indefinite life based on management's intent and ability to renew the licenses without substantial cost and without material modification of the existing terms and conditions of the license.

Broadcast licenses and goodwill are tested for impairment annually or more frequently if events or changes in circumstances indicate that they may be impaired. The Company has selected August 31 as the date it performs its annual impairment test.

Goodwill impairment is determined using a two-step process. The first step of the process is to compare the fair value of a reporting unit with its carrying amount, including goodwill. In performing the first step, the Company determines the fair value of a reporting unit by using various valuation techniques with the primary methods employed being a discounted cash flow ("DCF") analysis and a market-based approach. Determining fair value requires the exercise of significant judgments, including judgments about appropriate discount rates, perpetual growth rates, relevant comparable company earnings multiples and the amount and timing of expected future cash flows. The cash flows employed in the DCF analysis are based on the Company's budgets and business plans, and various growth rates have been assumed for years beyond the long-term business plan period. Discount rate assumptions are based on an assessment of the risks inherent in the future cash flows of the respective reporting units. In assessing the reasonableness of its determined fair values, the Company evaluates its results against other value indicators such as comparable company public trading values, research analyst estimates and values observed in private market transactions. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is not necessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is required to be performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. In other words, the estimated fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess.

The impairment test for broadcast licenses consists of comparing the carrying amount of broadcast licenses to their fair values. If the carrying amount exceeds its fair value, an impairment charge is then recognized on the consolidated statements of income. The Company uses a direct method valuation approach known as the Greenfield Income Valuation method in determining fair value. Under this method, the Company projects the cash flows that would be generated by each of its units of accounting as if the unit of accounting were to commence operations in each of its markets at the beginning of the valuation period. This cash flow stream is discounted to arrive at a value for the broadcast license. The Company assumes the competitive situation that exists in each market remains unchanged, with the exception that its unit of accounting was just beginning operations. Major assumptions involved in this analysis include revenue growth rates, profit margin, duration and profile of the start-up period, estimated start-up costs and losses

incurred during the build-up period, the risk-adjusted discount rate and terminal values. For its radio stations, the Company has determined the unit of accounting to be all of its stations in a local market. For its television operations, the Company has determined the unit of accounting to be each individual broadcast license.

GOVERNMENT FINANCING AND ASSISTANCE

The Company has access to several government programs that are designed to assist film and television production in Canada. Funding from certain programs provides a supplement to a series' Canadian license fee and is recorded as revenue when cash has been received. Government assistance with respect to federal and provincial production tax credits is recorded as a reduction of film investments when eligible expenditures are made and there is reasonable assurance of realization. Assistance in connection with equity film investments is recorded as a reduction in film investments.

Government assistance with respect to digital activities is recorded as a reduction in the related expenses when management has reasonable assurance that the conditions of the government programs are met.

Government grants approved for specific publishing projects are recorded as revenue when the related expenses are incurred.

INCOME TAXES

The liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws that are expected to be in effect when the differences are expected to be recovered or settled.

FOREIGN CURRENCY TRANSLATION

The assets and liabilities of the Company's self-sustaining operations having a functional currency that is not in Canadian dollars are translated into Canadian dollars using the exchange rate in effect at the consolidated balance sheet dates, and revenues and expenses are translated at the average rate during the year. Exchange gains or losses on translation of the Company's net equity investment in these operations are recorded in other comprehensive income (loss) for the year.

For integrated foreign operations and domestic assets and liabilities denominated in foreign currencies, monetary items are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet dates, and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transaction. Foreign exchange gains and losses are included in net income for the year.

FINANCIAL INSTRUMENTS AND HEDGING RELATIONSHIPS

The Company has classified its cash equivalents and derivative financial instruments that are not designated as hedges as held-for-trading. They are presented at their fair value and gains or losses arising on revaluation at the end of each year are included in net income for the year. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and certain components of other long-term liabilities are classified as other financial liabilities and are also measured at amortized cost. Investments in equity instruments are considered available-for-sale. Available-for-sale investments are carried at fair value on the consolidated balance sheets, with changes in fair value recorded in other comprehensive income (loss), until such time as the investments are disposed of or an other-than-temporary impairment

has occurred, in which case the impairment is recorded in net income for the year. Long-term debt instruments have been classified as other financial liabilities and are measured at amortized cost. Financial instruments measured at amortized cost use the effective interest rate method of amortization.

All derivatives, including embedded derivatives that must be separately accounted for, are measured at fair value, with changes in fair value recorded in net income for the year unless they are effective cash flow hedging instruments. Derivative financial instruments that are designated as cash flow hedges, such as interest rate swap agreements, are presented at their fair value, with gains or losses arising from the revaluation at the end of each year included in other comprehensive income (loss) to the extent of hedge effectiveness.

STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS

The fair value of each stock option granted is estimated on the date of the grant using the Black-Scholes option pricing model and expensed over the option's vesting period. Compensation expense related to the Performance Share Units and long-term incentive plan is accrued over the term of the service period based on the expected total compensation to be paid out at the end of the restriction period. Cash-settled instruments such as the Performance Share Units and awards under the long-term incentive plan are classified as liabilities and measured at intrinsic value. Equity-settled instruments such as stock options are classified as equity and fair value is measured and fixed at the date of grant. Consideration paid by the Company under its Employee Share Purchase Plan is included in direct cost of sales, general and administrative expenses.

EARNINGS PER SHARE

Basic earnings per share are calculated using the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the basic weighted average number of common shares outstanding during the year is increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. The dilutive effect of stock options is determined using the treasury stock method.

IMPAIRMENT OF LONG-LIVED ASSETS

When events or circumstances indicate potential impairment, long-lived assets, other than broadcast licenses and goodwill, are written down to their fair value if the net carrying amount of the asset exceeds the net recoverable amount, calculated as the sum of undiscounted cash flows related to the asset.

FUTURE ACCOUNTING POLICY CHANGES

The Company will adopt the following accounting standards recently issued by the Canadian Institute of Chartered Accountants ("CICA"):

International Financial Reporting Standards

In February 2008, Canada's Accounting Standards Board confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be converged with IFRS effective for fiscal years beginning on or after January 1, 2011. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosures.

IFRS have now been incorporated into the CICA Accounting Handbook effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will prepare financial statements in accordance with IFRS starting with the interim financial statements for the quarter ending November 30, 2011. These financial statements will require fiscal 2011 comparatives in accordance with IFRS. As a result, the financial statements that have been prepared under Canadian GAAP for fiscal 2011 will need to be restated to conform to IFRS for comparative purposes. The Company's transition date is September 1, 2010.

3. ACCOUNTS RECEIVABLE

	2011	2010
Trade	**159,197**	153,963
Other	**21,857**	10,552
	181,054	164,515
Less allowance for doubtful accounts	**2,523**	2,870
	178,531	161,645

4. INTANGIBLES, INVESTMENTS AND OTHER ASSETS

	2011	2010
Intangible assets	**25,914**	11,744
Equity investments	**9,023**	7,914
Other	**5,043**	2,937
	39,980	22,595

Intangible assets as at August 31, 2011 are presented net of accumulated amortization of $4,636 (2010 - $2,777).

5. PROPERTY, PLANT AND EQUIPMENT

As at August 31, 2011	Cost	Accumulated depreciation	Net book value
Broadcasting equipment	**54,444**	**11,970**	**42,474**
Production equipment	**34,277**	**29,488**	**4,789**
Leasehold improvements	**90,250**	**8,791**	**81,459**
Buildings	**10,353**	**4,113**	**6,240**
Computer equipment	**57,054**	**42,213**	**14,841**
Furniture and fixtures	**18,858**	**7,027**	**11,831**
Land	**5,555**	**—**	**5,555**
Other	**3,472**	**1,061**	**2,411**
	274,263	**104,663**	**169,600**

As at August 31, 2010	Cost	Accumulated depreciation	Net book value
Broadcasting equipment	36,416	7,809	28,607
Production equipment	33,624	28,824	4,800
Leasehold improvements	71,016	5,690	65,326
Buildings	18,246	7,983	10,263
Computer equipment	49,132	33,052	16,080
Furniture and fixtures	16,778	4,999	11,779
Assets under construction	3,429	—	3,429
Land	6,776	—	6,776
Other	1,589	744	845
	237,006	89,101	147,905

Included in property, plant and equipment are assets under capital lease with a cost of $27,341 at August 31, 2011 (2010 - $25,137) and an accumulated depreciation of $6,286 (2010 -$1,060).

6. FILM INVESTMENTS

	2011	2010
Balance, beginning of year	**100,454**	92,180
Additions	**78,753**	66,943
Tax credit accrual	**(19,768)**	(15,998)
Amortization	**(42,620)**	(38,456)
Transfer to program rights	**(14,279)**	(4,215)
Balance, end of year	**102,540**	100,454

The film investments are comprised of the following:	**2011**	2010
Projects in development and in process, net of advances	**26,280**	27,712
Completed projects and distribution rights	**49,170**	47,205
Investments in third-party-produced film projects	**27,090**	25,537
	102,540	100,454

The Company expects that 30% and 75% of the net book value of completed projects and distribution rights will be amortized during the year ending August 31, 2012 and three years ending August 31, 2014, respectively. It is estimated that at least 80% will be amortized within four years.

The Company expects that $15,197 of accrued participation liabilities, included in trade accounts payable and accrued liabilities will be paid during the year ending August 31, 2012.

7. BROADCAST LICENSES AND GOODWILL

Broadcast licenses and goodwill are tested for impairment annually as at August 31 or more frequently if events or changes in circumstances indicate that they may be impaired. At August 31, 2011, the Company performed its annual impairment test for fiscal 2011 and determined that there were no impairments for the year then ended.

The changes in the book value of goodwill, by segment, for the years ended August 31 were as follows:

2011	**Opening**	**Acquisitions**	**Closing**
Radio			
West	**129,289**	**—**	**129,289**
Ontario	**103,992**	**—**	**103,992**
Television			
Kids	**143,547**	**—**	**143,547**
Specialty and Pay	**294,999**	**—**	**294,999**
	671,827	**—**	**671,827**

2010	Opening	Acquisitions	Closing
Radio			
West	129,289	—	129,289
Ontario	103,992	—	103,992
Television			
Kids	143,547	—	143,547
Specialty and Pay	273,999	21,000	294,999
	650,827	21,000	671,827

During fiscal 2011, the Company disposed of goodwill in the amount of $23,202 that pertained to the disposal of the Quebec Radio segment (note 16).

The changes in the book value of broadcast licenses, by division, for the years ended August 31, were as follows:

2011	**Opening**	**Acquisitions**	**Disposals**	**Closing**
Radio	**145,997**	**—**	**—**	**145,997**
Television	**395,251**	**—**	**—**	**395,251**
	541,248	**—**	**—**	**541,248**

2010	Opening	Acquisitions	Disposals	Closing
Radio	148,572	—	(2,575)	145,997
Television	372,251	23,000	—	395,251
	520,823	23,000	(2,575)	541,248

During fiscal 2011, the Company disposed of broadcast licenses in the amount of $40,918 that pertained to the disposal of the Quebec Radio Segment (note 16).

Goodwill and broadcast licenses are located primarily within Canada.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2011	2010
Trade accounts payable and accrued liabilities	**99,093**	94,083
Program rights payable	**91,492**	79,646
Film investment accruals	**1,563**	4,092
Dividends payable	**11,956**	8,111
Capital lease accrual	**8,503**	7,410
	212,607	193,342

In late 2010 and during fiscal 2011, the Company undertook a significant restructuring to streamline processes in the new Corus Quay facility. This resulted in the Company recording a charge of $12,924 in 2010 and a charge of $3,694 in 2011, mainly related to severance and employee related costs. The Company anticipates that these provisions will be substantially paid in fiscal 2012.

The continuity of restructuring for the years ended August 31, is as follows:

	2011	2010
Balance, beginning of year	**13,756**	8,329
Work-force reduction initiatives	**1,319**	11,264
Lease termination costs and other	**2,375**	1,660
Payments	**(12,120)**	(7,497)
Balance, end of year	**5,330**	13,756

9. LONG-TERM DEBT

	2011	2010
Bank loans	**114,806**	208,015
Senior unsecured guaranteed notes	**500,000**	500,000
Unamortized financing fees	**(14,010)**	(16,124)
	600,796	691,891

In the second quarter of fiscal 2010, the Company closed an offering of $500,000 principal amount of 7.25% senior unsecured guaranteed notes due February 10, 2017 (the "Notes"). Concurrent with the closing of the offering of the Notes, the Company entered into an amended credit facility with a syndicate of banks that was to mature on February 11, 2014. Financing fees of $17,977 were capitalized in relation to these transactions and are being amortized on an effective rate basis.

On March 11, 2011, the credit facility was amended principally to reduce interest margins applicable to floating interest rates and to extend the maturity date to February 11, 2015. The amount committed is $500,000, available on a revolving basis, and is repayable at maturity. In addition, the Company may at any time cancel the credit facility. Funds are available to the Company in both Canadian and U.S. dollars and incur interest on a floating basis plus a margin.

The transactions noted above resulted in the Company recording a $14,256 debt refinancing loss in the second quarter of fiscal 2010. The components of this loss included mark-to-market payments on the interest rate swap agreement termination and the write-off of unamortized financing fees related to the bank loans that were settled.

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and/or LIBOR. As at August 31, 2011, the weighted average interest rate on the outstanding bank loans and Notes was 6.7% (2010 - 6.6%). Interest on the bank loans and Notes averaged 6.9% for fiscal 2011 (2010 - 5.5%). The prior year includes the impact of the swap.

The banks hold as collateral a first ranking charge on all assets and undertakings of Corus and certain of Corus' subsidiaries as designated under the credit agreement. Under the facility, the Company has undertaken to comply with financial covenants regarding a minimum interest coverage ratio and a maximum debt to cash flow ratio. Management has determined that the Company was in compliance with the covenants provided under the bank loans as at August 31, 2011.

10. OTHER LONG-TERM LIABILITIES

	2011	2010
Public benefits associated with acquisitions	**2,774**	3,980
Unearned revenue	**12,808**	8,942
Program rights payable	**37,559**	31,959
Long-term employee obligations	**11,774**	9,830
Deferred leasehold inducements	**11,762**	3,698
Merchandising and trademark liabilities	**11,556**	13,745
Capital lease accrual	**9,081**	15,849
	97,314	88,003

11. SHARE CAPITAL

AUTHORIZED

The Company is authorized to issue, upon approval of holders of no less than two-thirds of the existing Class A shares, an unlimited number of Class A participating shares ("Class A Voting Shares"), as well as an unlimited number of Class B non-voting participating shares ("Class B Non-Voting Shares"), Class A Preferred Shares and Class 1 and Class 2 Preferred Shares.

Class A Voting Shares are convertible at any time into an equivalent number of Class B Non-Voting Shares. The Class B Non-Voting Shares are convertible into an equivalent number of Class A Voting Shares in limited circumstances as described in the company's Annual Information Form.

The Class A Preferred Shares are redeemable at any time at the demand of Corus and retractable at any time at the demand of a holder of a Class A Preferred Share for an amount equal to the consideration received by Corus at the time of issuance of such Class A Preferred Shares. Holders of Class A Preferred Shares are entitled to receive a non-cumulative dividend at such rate as Corus' Board of Directors may determine on the redemption amount of the Class A Preferred Shares. Each of the Class 1 Preferred Shares, the Class 2 Preferred Shares, the Class A Voting Shares and the Class B Non-Voting Shares rank junior to and are subject in all respects to the preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Class A Preferred Shares in connection with the payment of dividends.

The Class 1 and Class 2 Preferred Shares are issuable in one or more series with attributes designated by the Board of Directors. The Class 1 Preferred Shares rank senior to the Class 2 Preferred Shares.

In the event of liquidation, dissolution or winding-up of Corus or other distribution of assets of Corus for the purpose of winding up its affairs, the holders of Class A Preferred Shares are entitled to a payment in priority to all other classes of shares of Corus to the extent of the redemption amount of the Class A Preferred Shares, but will not be entitled to any surplus in excess of that amount. The remaining property and assets will be available for distribution to the holders of the Class A Voting Shares and Class B Non-Voting Shares, which shall be paid or distributed equally, share for share, between the holders of the Class A Voting Shares and the Class B Non-Voting Shares, without preference or distinction.

ISSUED AND OUTSTANDING

The changes in the Class A Voting Shares and Class B Non-Voting Shares since August 31, 2009 are summarized as follows:

	Class A Voting Shares		Class B Non-Voting Shares		Total
	#	$	#	$	$
Balance as at August 31, 2009	3,444,528	26,674	76,608,074	813,928	840,602
Conversion of Class A Voting Shares to Class B Non-Voting Shares	(400)	(3)	400	3	—
Issuance of shares under stock option plan	—	—	888,410	12,027	12,027
Issuance of shares under dividend reinvestment plan	—	—	198,354	3,731	3,731
Repayment of executive stock purchase loans	—	—	—	295	295
Balance as at August 31, 2010	3,444,128	26,671	77,695,238	829,984	856,655
Conversion of Class A Voting Shares to Class B Non-Voting Shares	(4,916)	(38)	4,916	38	—
Issuance of shares under stock option plan	—	—	794,840	13,232	13,232
Issuance of shares under dividend reinvestment plan	—	—	716,867	14,657	14,657
Shares repurchased			(182,600)	(1,976)	(1,976)
Repayment of executive stock purchase loans	—	—	—	111	111
Balance as at August 31, 2011	**3,439,212**	**26,633**	**79,029,261**	**856,046**	**882,679**

There are no Class A Preferred Shares, Class 1 Preferred Shares or Class 2 Preferred Shares outstanding at August 31, 2011.

STOCK OPTION PLAN

Under the Company's stock option plan (the "plan"), the Company may grant options to purchase Class B Non-Voting Shares to eligible officers, directors and employees of or consultants to the Company. The number of Class B Non-Voting Shares which the Company is authorized to issue under the plan is 10% of the issued and outstanding Class B Non-Voting Shares. All options granted are for terms not to exceed 10 years from the grant date. The exercise price of each option equals the market price of the Company's stock on the day preceding the grant date. Options vest 25% on each of the first, second, third and fourth anniversary dates of the date of grant.

A summary of the changes to the stock options outstanding since August 31, 2009 is presented as follows:

	Number of options (#)	Weighted average exercise price ($)
Outstanding as at August 31, 2009	3,389,250	13.85
Granted	393,073	17.51
Forfeited or expired	(82,325)	18.85
Exercised	(888,410)	11.54
Outstanding as at August 31, 2010	2,811,588	14.95
Granted	261,900	22.31
Forfeited or expired	(33,875)	21.33
Exercised	(794,840)	12.21
Outstanding as at August 31, 2011	**2,244,773**	**16.68**

As at August 31, 2011, the options outstanding and exercisable consist of the following:

	Options outstanding			Options exercisable	
Range of exercise price ($)	Number outstanding (#)	Weighted average remaining contractual life (years)	Weighted average exercise price ($)	Number outstanding (#)	Weighted average exercise price ($)
11.90 -14.01	674,700	0.5	11.90	674,700	11.90
14.02 -17.56	653,900	3.7	16.86	390,350	16.43
17.57 -22.65	916,173	5.0	20.07	387,618	19.58
	2,244,773	3.3	16.68	1,452,668	15.16

The fair value of each option granted since September 1, 2003 was estimated on the date of the grant using the Black-Scholes option pricing model. The estimated fair value of the options is amortized to income over the options' vesting period on a straight-line basis. The Company has recorded stock-based compensation expense related to stock options for the year ended August 31, 2011 of $1,102 (2010 - $907). This charge has been credited to contributed surplus. Unrecognized stock-based compensation expense at August 31, 2011 related to the plan was $2,033 (2010 - $2,101).

The fair value of each option granted in fiscal 2011 and 2010 was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

	Fiscal 2011	Fiscal 2010
Fair value	**$4.26**	$3.65
Expected life	**5.8 years**	5.6 years
Risk-free interest rate	**2.06%**	2.77%
Dividend yield	**3.8%**	3.4%
Volatility	**29.0%**	28.7%

Subsequent to the year ended August 31, 2011, the Company granted 376,700 options for Class B Non-Voting Shares to eligible officers and employees of the Company in October, 2011.

DIVIDENDS

The holders of Class A Voting Shares and Class B Non-Voting Shares are entitled to receive such dividends as the Board of Directors determines to declare on a share-for-share basis, as and when any such dividends are declared or paid. The holders of Class B Non-Voting Shares are entitled to receive during each dividend period, in priority to the payment of dividends on the Class A Voting Shares, an additional dividend at a rate of $0.005 per share per annum. This

additional dividend is subject to proportionate adjustment in the event of future consolidations or subdivisions of shares and in the event of any issue of shares by way of stock dividend. After payment or setting aside for payment of the additional non-cumulative dividends on the Class B Non-Voting Shares, holders of Class A Voting Shares and Class B Non-Voting Shares participate equally, on a share-for-share basis, on all subsequent dividends declared.

2011 **Date of record**	**Date paid**	**Class A** **Amount paid**	**Class B** **Amount paid**
September 15, 2010	September 30, 2010	**$0.049585**	**$0.0500**
October 14, 2010	October 29, 2010	**$0.049585**	**$0.0500**
November 15, 2010	November 30, 2010	**$0.062083**	**$0.0625**
December 15, 2010	December 31, 2010	**$0.062083**	**$0.0625**
January 14 , 2011	January 31, 2011	**$0.062083**	**$0.0625**
February 14, 2011	February 28, 2011	**$0.062083**	**$0.0625**
March 15, 2011	March 31, 2011	**$0.062083**	**$0.0625**
April 15, 2011	April 29, 2011	**$0.062083**	**$0.0625**
May 16, 2011	May 31, 2011	**$0.062083**	**$0.0625**
June 15, 2011	June 30, 2011	**$0.062083**	**$0.0625**
July 15, 2011	July 29, 2011	**$0.062083**	**$0.0625**
August 15, 2011	August 31, 2011	**$0.072083**	**$0.0725**
	Total	**$0.730000**	**$0.7350**

2010 **Date of record**	**Date paid**	**Class A** **Amount paid**	**Class B** **Amount paid**
September 15, 2009	September 30, 2009	$0.049585	$0.0500
October 15, 2009	October 30, 2009	$0.049585	$0.0500
November 16, 2009	November 30, 2009	$0.049585	$0.0500
December 15, 2009	December 31, 2009	$0.049585	$0.0500
January 15 , 2010	January 29, 2010	$0.049585	$0.0500
February 12, 2010	February 26, 2010	$0.049585	$0.0500
March 15, 2010	March 31, 2010	$0.049585	$0.0500
April 15, 2010	April 30, 2010	$0.049585	$0.0500
May 14, 2010	May 31, 2010	$0.049585	$0.0500
June 15, 2010	June 30, 2010	$0.049585	$0.0500
July 15, 2010	July 30, 2010	$0.049585	$0.0500
August 16, 2010	August 31, 2010	$0.049585	$0.0500
	Total	**$0.595020**	**$0.6000**

The total amount of dividends declared in fiscal 2011 was $64,030 (2010 - $48,445).

In September 2009, the Company announced that its Board of Directors had approved a discount of 2% for Class B Non-Voting Shares issued from treasury pursuant to the terms of its dividend reinvestment plan. In fiscal 2011, the Company issued 716,867 (2010 - 198,354) Class B Non-Voting Shares as a result of this plan, resulting in an increase in share capital of $14,657.

EARNINGS PER SHARE

The following is a reconciliation of the numerator and denominator (in thousands) used for the computation of the basic and diluted earnings per share amounts:

	2011	2010
Net income for the period (numerator)		
From continuing operations	**141,274**	119,662
From discontinued operations	**5,023**	7,072
Net income for the year	**146,297**	126,734
Weighted average number of shares outstanding (denominator)		
Weighted average number of shares outstanding - basic	**81,870**	80,747
Effect of dilutive securities	**519**	608
Weighted average number of shares outstanding - diluted	**82,389**	81,355

The calculation of diluted earnings per share for fiscal 2011 excluded 433,801 weighted average number of Class B Non-Voting Shares (2010 - 251,854) issuable under the plan because these options were not 'in-the-money'.

EXECUTIVE STOCK PURCHASE LOANS

In October 2001, the Board of Directors of the Company authorized the granting of loans to certain of its executive officers in order to finance the acquisition of Class B Non-Voting Shares of the Company on the open market. These loans are non-interest-bearing and are secured by a promissory note and the relevant Class B Non-Voting Shares. Each loan has a 10-year term from December 1, 2001, with annual installments at the greater of 10% of the original principal or 10% of the employee's pre-tax bonus for the most recently completed financial year of the Company. As at August 31, 2011, the Company had loans receivable of $111 (2010 - $223) from certain qualifying executive officers. As at August 31, 2011, the market value of the shares held as collateral for the loans was $1,063 (2010 - $1,016).

PERFORMANCE SHARE UNITS

The Company has granted Performance Share Units ("PSUs") to certain employees. For grants up to and including the fiscal 2010 PSU grant each PSU entitles the participant to receive a cash payment in an amount equal to the closing price of Class B Non-Voting Shares traded on the TSX at the end of the restriction period, multiplied by the number of vested units determined by achievement of specific performance-based criteria. For the fiscal 2011 grant, participants are entitled to receive a cash payment in an amount equal to the 20 day volume weighted average price on the TSX for the Class B Non-Voting Shares at the end of the restriction period, multiplied by the number of vested units as determined by achievement of specific performance-based criteria. Compensation expense related to the PSUs is accrued over the term of the restriction period based on the expected total compensation to be paid out at the end of the restriction period, factoring in the probability of any performance-based criteria being met during the period. The stock-based compensation expense recorded in fiscal 2011 in respect of these grants was $855 (2010 - $1,448).

LONG-TERM INCENTIVE PLAN

In fiscal 2006, the Company implemented a long-term incentive plan for senior management based on total shareholder return. The units granted under this plan entitle the participant to receive cash payment in an amount equal to the closing price of one Class B Non-Voting Share traded on the TSX at the end of the restriction period.

In fiscal 2009, 2010 and 2011, 263,900, 570,341 and 261,621 units were granted, respectively, with vesting periods between three and five years. The stock-based compensation expense recorded in fiscal 2011 in respect of these plans was $10,316 (2010 - $5,415). This charge has been credited to other long-term liabilities.

In fiscal 2010, the plan text was modified to remove the option of settling the plan in shares. As a result, amounts previously credited to contributed surplus in prior years were transferred in fiscal 2010 to other long-term liabilities. This resulted in a reduction of $4,659 to contributed surplus in fiscal 2010.

OTHER

The Company allows directors and senior management to receive their directors' fees or short-term incentive compensation, respectively, in the form of deferred share units. Each deferred share unit has the same value as a Class B Non-Voting Share at each period end. These deferred share units are fully vested upon grant, and the value is paid in cash to the holder following termination of service or employment. At August 31, 2011, there were 185,230 deferred share units outstanding (2010 - 168,827 deferred share units).

NORMAL COURSE ISSUER BID

On June 14, 2011, the Company announced that the TSX had accepted the notice filed by the Company of its intention to make a Normal Course Issuer Bid for its Class B Non-Voting Participating Shares through the facilities of the TSX, or other alternative Canadian trading system. The Company may purchase for cancellation a maximum of 3,900,000 Class B Non-Voting Participating Shares during the period from June 16, 2011 through June 15, 2012.

The shares purchased for cancellation since June 16, 2011 are as follows:

	Fiscal 2011		
	#	$	Average $
July 2011	27,800	605	21.76
August 2011	154,800	3,100	20.03
Total as at August 31, 2011	**182,600**	**3,705**	**20.29**

During fiscal 2011, the total cash consideration paid exceeded the carrying value of the shares repurchased by $1,729 (2010 - nil), which was charged to retained earnings.

12. INTEREST EXPENSE

	2011	2010
Interest on long-term debt	**44,503**	36,550
Imputed interest on long-term liabilities	**10,770**	8,635
Other	**2,003**	(963)
	57,276	44,222

13. OTHER EXPENSE (INCOME), NET

	2011	2010
Foreign exchange losses (gains)	**(2,302)**	446
Income from equity investments	**(1,026)**	(530)
Pre-occupancy Corus Quay rent	**—**	8,396
Retroactive tariff adjustment	**—**	3,952
Loss (gain) on property disposal	**(3,422)**	2,575
Other	**2,690**	4,638
	(4,060)	19,477

In December 2008, the Copyright Board held a consolidated proceeding to hear five copyright tariff proposals for commercial radio covering the calendar year 2008 and beyond. During the fourth quarter of fiscal 2010, the Copyright Board issued its commercial radio tariff decision for the use of music covering both the performance rights and the reproduction rights, which calls for the introduction of two new regulated tariffs to be paid to AVLA/SOPROQ and ArtistI, and sets out increased royalties to be paid to CSI, all retroactive to January 1, 2008 and January 1, 2009, respectively.

14. INCOME TAXES

Future income taxes reflect the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's future tax liability and asset as at August 31 are as follows:

	2011	2010
Deferred charges deducted for tax purposes capitalized for accounting purposes	**869**	349
Capital cost allowance in excess of book depreciation	**6,689**	1,526
Deferred partnership income	**1,750**	1,931
Differences in tax and accounting cost bases for investments	**4,212**	3,787
Broadcast licenses and other intangible assets	**111,225**	110,893
Other, net	**673**	2,252
Total future tax liability	**125,418**	120,738
Book depreciation in excess of capital cost allowance	**14,108**	16,724
Loss carryforwards, net of valuation allowances	**5,758**	5,222
Deferred gain on sale of investment	**281**	281
Amortization deducted for accounting purposes in excess of tax purposes	**10,003**	6,778
Differences in tax and accounting cost bases for investments	**2,214**	1,669
Differences in revenue recognition for tax and accounting purposes	**518**	557
Other, net	**4,138**	4,995
Total future tax asset	**37,020**	36,226
Net future tax liability	**88,398**	84,512
Less current portion of future tax asset	**7,615**	6,129
	96,013	90,641

Significant components of the income tax expense are as follows:

	2011	2010
Current tax expense	**51,224**	48,666
Future tax resulting from temporary differences	**4,278**	1,989
Future tax resulting from losses	**(579)**	(2,714)
Future tax resulting from tax rate changes	**—**	(14,259)
Creation (recovery) of various future tax liabilities	**914**	(188)
Other	**(731)**	(57)
	55,106	33,437

The reconciliation of income tax attributable to operations computed at the statutory rates to income tax expense is as follows:

		2011		2010
	$	%	$	%
Tax at combined federal and provincial rate	**58,939**	**29.0**	50,557	31.8
Reduction in future taxes resulting from statutory rate change	**—**	**—**	(14,259)	(9.0)
Increase (recovery) of various tax liabilities	**(1,221)**	**(0.6)**	(2,029)	(1.3)
Other	**(2,612)**	**(1.3)**	(832)	(0.5)
	55,106	**27.1**	33,437	21.0

The Company recognizes as a future tax asset the benefit of capital and non-capital loss carryforwards to the extent it is more likely than not that the benefit will be realized. As at August 31, 2011, the Company had available loss carryforwards of approximately $86,400. A future tax asset of $22,137 (2010 - $11,160) has been recognized in respect of these carryforwards, net of a valuation allowance of $16,379 (2010 - $5,938).

The available loss carryforwards will expire as follows:

2026	100
2028	1,300
2029	6,900
2030	11,100
2031	7,000
No expiration	60,000
	86,400

15. BUSINESS SEGMENT INFORMATION

The Company's business activities are conducted through two segments: Radio and Television. Historically, the Company disclosed the following five segments: Ontario, West, Kids, Specialty and Pay. As a result of the relocation to Corus Quay and subsequent changes to the Company's organizational structure and internal reporting, the Company has two operating segments: Radio and Television. The Company is required to present only the two operating segments, however the Company opted to present a more detailed presentation of results consistent with earlier periods.

RADIO

The Radio division comprises 37 radio stations, situated primarily in high-growth urban centres in Canada. Revenues are derived from advertising aired over these stations. Results for the Radio operations are presented on a geographic basis for Radio West and Radio Ontario.

TELEVISION

The Television division includes interests in several specialty television networks, pay television, conventional television stations, the Nelvana content business and the related distribution and licensing business. Revenues are generated from subscriber fees, advertising and the licensing of proprietary films and television programs, merchandise licensing and publishing. Results for the Television operations are presented for Kids and Specialty and Pay.

The Corporate results represent the incremental cost of corporate overhead in excess of the amount allocated to the other operating segments.

Management evaluates each division's performance based on revenues less direct cost of sales, general and administrative expenses. Segment profit excludes depreciation, interest expense, broadcast license and goodwill impairment charges, disputed regulatory fees, debt refinancing, restructuring and certain other income and expenses (note 13).

All figures presented exclude discontinued operations as highlighted in note 16.

REVENUES AND SEGMENT PROFIT

Year ended August 31, 2011	**Radio**	**Television**	**Corporate**	**Consolidated**
Revenues	**195,657**	**629,556**	**—**	**825,213**
Direct cost of sales, general and administrative expenses	**136,572**	**371,024**	**32,196**	**539,792**
Segment profit (loss)	**59,085**	**258,532**	**(32,196)**	**285,421**
Depreciation	**3,070**	**4,013**	**17,839**	**24,922**
Interest expense	**2,552**	**22,788**	**31,936**	**57,276**
Restructuring	**1,976**	**505**	**1,213**	**3,694**
Other expense (income), net	**(766)**	**(4,759)**	**1,465**	**(4,060)**
Income before income taxes and non-controlling interest	**52,253**	**235,985**	**(84,649)**	**203,589**

Year ended August 31, 2010	Radio	Television	Corporate	Consolidated
Revenues	192,433	575,097	—	767,530
Direct cost of sales, general and administrative expenses	135,002	348,418	28,141	511,561
Segment profit (loss)	57,431	226,679	(28,141)	255,969
Depreciation	4,059	10,000	6,063	20,122
Interest expense (income)	3,555	(677)	41,344	44,222
Disputed regulatory fees	(6,722)	(7,293)	—	(14,015)
Debt refinancing loss	—	—	14,256	14,256
Restructuring	5,506	5,055	2,363	12,924
Other expense (income), net	6,993	2,148	10,336	19,477
Income before income taxes and non-controlling interest	44,040	217,446	(102,503)	158,983

The following tables present further details on the operating segments within the Radio and Television divisions:

REVENUES

	2011	2010
Radio		
West	**91,625**	93,470
Ontario	**104,032**	98,963
	195,657	192,433
Television		
Kids	**278,958**	240,568
Specialty and Pay	**350,598**	334,529
	629,556	575,097

SEGMENT PROFIT

	2011	2010
Radio		
West	**28,743**	30,295
Ontario	**30,342**	27,136
	59,085	57,431
Television		
Kids	**115,355**	97,126
Specialty and Pay	**143,177**	129,553
	258,532	226,679

Revenues are derived from the following areas:

	2011	2010
Advertising	**389,925**	373,607
Subscriber fees	**299,888**	283,171
Merchandise, distribution and other	**135,400**	110,752
	825,213	767,530

Revenues are derived from the following geographical sources, by location of customer:

	2011	2010
Canada	**745,290**	706,153
International	**79,923**	61,377
	825,213	767,530

SEGMENT ASSETS FROM CONTINUING OPERATIONS

	2011	2010
Radio		
West	**243,905**	240,682
Ontario	**208,030**	204,988
Television		
Kids	**608,953**	599,691
Specialty and Pay	**806,795**	777,838
Corporate	**216,921**	142,665
	2,084,604	1,965,864

Assets are located primarily within Canada.

CAPITAL EXPENDITURES BY DIVISION

	2011	2010
Radio	**3,885**	2,408
Television	**1,715**	2,030
Corporate	**40,391**	77,401
	45,991	81,839

Property, plant and equipment are located primarily within Canada.

16. BUSINESS COMBINATIONS AND DISPOSITIONS

In the second quarter of fiscal 2011, the Company completed the sale of its Quebec radio stations. The Canadian Radio-television and Telecommunications Commission ("CRTC") approved the disposition on December 17, 2010 and the sale closed February 1, 2011 with a purchase price of $84 million (including a working capital adjustment of $4.0 million) of which $9 million is due in February 2012. As a result, certain figures for fiscal 2010 for assets and liabilities and operating results have been reclassified to assets and liabilities of discontinued operations, and net income for the year from discontinued operations in accordance with CICA Handbook Section 3475 – *Disposal of Long-Lived Assets and Discontinued Operations*. The summarized financial information for the discontinued Quebec radio operations is shown below:

	2011	2010
Current assets of discontinued operations		
Accounts receivable	**—**	13,489
Income taxes receivable	**—**	336
Prepaid and other assets	**—**	1,462
Total current assets of discontinued operations	**—**	15,287
Intangibles, investments and other assets	**—**	304
Capital assets	**—**	13,680
Broadcast licenses and goodwill	**—**	64,120
Total assets of discontinued operations	**—**	93,391
Current liabilities of discontinued operations		
Accounts payable and accrued liabilities	**—**	10,080
Total current liabilities of discontinued operations	**—**	10,080
Other long-term liabilities	**—**	3,420
Future tax liability	**—**	7,875
Total liabilities of discontinued operations	**—**	21,375

	2011	2010
Revenues	**28,836**	68,691
Direct cost of sales, general and administrative expenses	**24,738**	60,591
Segment profit	**4,098**	8,100
Other expenses (income)	**2,621**	(654)
Income from discontinued operations	**1,477**	8,754
Gain on disposal	**4,102**	—
Income tax expense	**556**	1,682
Net income for the year from discontinued operations	**5,023**	7,072

Disposition equation	**2011**
Proceeds from sale	80,000
Working capital adjustment	4,000
Adjusted proceeds from sale	84,000
Net book value	(75,846)
Transaction costs	(4,052)
Gain on sale	**4,102**

In fiscal 2010, the Company completed the acquisition of the specialty television services Drive-In Classics and SexTV. The CRTC approved the acquisition on November 19, 2009 and the Company took over ownership and operation of these services, rebranded as Sundance Channel and W Movies, respectively, on November 30, 2009. The results of operations of these services, as well as their assets and liabilities, are included in the Specialty and Pay segment of the Television division effective December 1, 2009. The total cash consideration paid was $40.0 million. The purchase equation, which was accounted for using the purchase method, is summarized below:

Assigned value of net assets acquired	
Broadcast licenses	23,000
Goodwill	21,000
Other long-term liabilities	(4,000)
Cash consideration given	40,000

17. JOINT VENTURES

The following amounts, included in these consolidated financial statements, represent the Company's proportionate share in joint ventures:

	2011	2010
Current assets	**40,687**	43,109
Long-term assets	**17,365**	14,312
Current liabilities	**12,181**	12,772
Long-term liabilities	**305**	1,067
Cash provided by operating activities	**14,435**	12,916
Cash used in investing activities	**(256)**	(94)
Revenues	**61,233**	55,970
Expenses	**43,441**	39,403
Net income for the year	**17,792**	16,567

18. CAPITAL MANAGEMENT

The Company's capital management objectives are to maintain financial flexibility in order to pursue its strategy of organic growth combined with strategic acquisitions and to provide returns to its shareholders. The Company defines capital as the aggregate of its shareholders' equity and long-term debt less cash and cash equivalents.

Total managed capital is as follows:

	2011	2010
Long-term debt	**600,796**	691,891
Cash and cash equivalents	**(55,922)**	(7,969)
Net debt	**544,874**	683,922
Shareholders' equity	**1,058,674**	955,948
	1,603,548	1,639,870

The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay long-term debt, issue shares, repurchase shares through a normal course issuer bid, pay dividends or undertake any other activities as deemed appropriate under the specific circumstances.

The Company monitors capital based on a number of criteria, including: net debt to segment profit ratio and dividend yield. The Company's current stated objectives are to maintain a net debt to segment profit ratio of a maximum of 3.0 to 3.5 times, and maintain a dividend yield in excess of 2.5%. The Company believes that these objectives provide a reasonable framework for providing returns to its shareholders. The Company is currently operating within these internally imposed constraints.

The Company is not subject to any externally imposed capital requirements and there has been no change in the Company's capital management approach during the year. As a result of issuing the Notes (note 9); the Company is required to maintain certain covenants.

19. FINANCIAL INSTRUMENTS

The following table sets out the classification of financial and non-financial assets and liabilities:

As at August 31, 2011	**Held-for trading**	**Available for sale**	**Loans and receivables**	**Other financial liabilities**	**Non-financial**	**Total carrying amount**
Cash and cash equivalents	**55,922**	**—**	**—**	**—**	**—**	**55,922**
Accounts receivable	**—**	**—**	**178,531**	**—**	**—**	**178,531**
Intangibles, investments and other assets	**—**	**587**	**262**	**—**	**39,131**	**39,980**
Other non-financial assets	**—**	**—**	**—**	**—**	**1,810,171**	**1,810,171**
Total assets	**55,922**	**587**	**178,793**	**—**	**1,849,302**	**2,084,604**
Accounts payable and accrued liabilities	**—**	**—**	**—**	**212,607**	**—**	**212,607**
Long-term debt	**—**	**—**	**—**	**600,796**	**—**	**600,796**
Other long-term liabilities	**—**	**—**	**—**	**58,195**	**39,119**	**97,314**
Other non-financial liabilities	**—**	**—**	**—**	**—**	**96,013**	**96,013**
Total liabilities	**—**	**—**	**—**	**871,598**	**135,132**	**1,006,730**

As at August 31, 2010 (note 16)	Held-for trading	Available for sale	Loans and receivables	Other financial liabilities	Non-financial	Total carrying amount
Cash and cash equivalents	7,969	—	—	—	—	7,969
Accounts receivable	—	—	161,645	—	—	161,645
Intangibles, investments and other assets	—	431	954	—	21,210	22,595
Other non-financial assets	—	—	—	—	1,773,655	1,773,655
Total assets	7,969	431	162,599	—	1,794,865	1,965,864
Accounts payable and accrued liabilities	—	—	—	193,342	—	193,342
Long-term debt	—	—	—	691,891	—	691,891
Other long-term liabilities	—	—	—	61,553	26,450	88,003
Other non-financial liabilities	—	—	—	—	90,641	90,641
Total liabilities	—	—	—	946,786	117,091	1,063,877

FAIR VALUES

The fair values of financial instruments included in current assets and current liabilities approximate their carrying values due to their short-term nature.

The fair value of publicly-traded shares included in intangibles, investments and other assets is determined by quoted share prices in active markets. The fair value of other financial instruments included in this category is determined using other valuation techniques.

The fair value of bank loans is estimated based on discounted cash flows using year-end market yields, adjusted to take into account the Company's own credit risk. Due to the fact the Company's bank loans were refinanced recently, at August 31, 2011, the Company has estimated the fair value of its bank debt to be approximately equal to its carrying amount.

The fair value of the Company's Notes is estimated based on the trading price of the Notes, adjusted to take into account the Company's own credit risk. At August 31, 2011, the Company has estimated the fair value of its Notes to be approximately $517,900 (2010 - $516,700).

The fair values of financial instruments in other long-term liabilities approximate their carrying values as they are recorded at the net present values of their future cash flows, using an appropriate discount rate.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

RISK MANAGEMENT

The Company is exposed to various risks related to its financial assets and financial liabilities. These risk exposures are managed on an ongoing basis.

Credit risk

In the normal course of business, the Company is exposed to credit risk from its accounts receivable from customers. The carrying amounts for accounts receivable are net of applicable allowances for doubtful accounts, which are estimated based on past experience, specific risks associated with the customer and other relevant information.

The maximum exposure to credit risk is the carrying amount of the financial assets.

The following table sets out details of the age of receivables and allowance for doubtful accounts as at August 31 as follows:

	2011	2010
Trade accounts receivable		
Current	**80,536**	79,580
One to three months	**62,955**	56,071
Over three months	**15,706**	18,312
	159,197	153,963
Other receivables	**21,857**	10,552
	181,054	164,515
Less allowance for doubtful accounts	**2,523**	2,870
	178,531	161,645

The following table sets out the continuity for the allowance for doubtful accounts as at August 31 as follows:

	2011	2010
Balance, beginning of year	**2,870**	3,012
Provision for doubtful accounts	**1,419**	1,004
Write-off of bad debts	**(1,766)**	(1,146)
Balance, end of year	**2,523**	2,870

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity risk primarily by maintaining sufficient unused capacity within its long-term debt facility, and by continuously monitoring forecast and actual cash flows. The unused capacity at August 31, 2011 was approximately $385,000 (2010 - $290,000). Further information with respect to the Company's long-term debt facility is provided in note 9.

The following table sets out the undiscounted contractual obligations related to repayment of long-term debt, program rights payable, capital leases and other liabilities as at August 31, 2011:

	Total	Less than one year	One to three years	Beyond three years
Long-term debt	600,796	—	—	600,796
Interest on Notes	197,438	36,250	72,500	88,688
Program rights payable	415,894	105,967	151,216	158,711
Accounts payable and other accrued liabilities	121,111	121,111	—	—
Capital leases	17,577	8,497	8,623	457
Other liabilities	12,234	1,770	3,656	6,808
	1,365,050	273,595	235,995	855,460

In addition to the financial liabilities in the table above, the Company will also pay interest on any long-term debt outstanding in future periods. In fiscal 2011, the Company incurred interest on long-term debt of $44,503 (2010 - $36,550).

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuers or factors affecting all instruments traded in the market.

The Company is exposed to foreign exchange risk through its treasury function, international content distribution operations, and U.S. dollar denominated programming purchasing. The most significant foreign currency exposure is to movements in the U.S. dollar to Canadian dollar exchange rate and the U.S dollar to euro exchange rate. The impact of foreign exchange on income before income taxes and non-controlling interest is detailed in note 21. An assumed 10% increase or decrease in exchange rates as at August 31, 2011 would not have had a material impact on net income or other comprehensive income (loss) for the year.

The Company is exposed to interest rate risk on the bankers' acceptances issued at floating rates under its bank loan facility. Historically, the Company managed this risk through the use of interest rate swaps to fix the interest rate. In fiscal 2010, the Company reduced its exposure to interest rate fluctuations by issuing fixed rate debt and used the proceeds to pay down a portion of its floating rate debt. An assumed 1% increase or decrease in short-term interest rates during the year ended August 31, 2011 would not have had a material impact on net income for the year.

Other considerations

The Company does not engage in trading or other speculative activities with respect to derivative financial instruments.

20. CONSOLIDATED STATEMENTS OF CASH FLOWS

Additional disclosures with respect to the consolidated statements of cash flows are as follows:

Net change in non-cash working capital balances consists of the following:

	2011	2010
Accounts receivable	**(7,539)**	(26,045)
Prepaid expenses and other	**3,543**	(3,983)
Accounts payable and accrued liabilities	**(183)**	25,957
Income taxes payable / recoverable	**1,232**	6,289
Other long-term liabilities	**7,623**	7,902
Other	**10,090**	1,524
	14,766	11,644

Interest paid, interest received and income taxes paid and classified as operating activities are as follows:

	2011	2010
Interest paid	**47,907**	37,799
Interest received	**956**	1,268
Income taxes paid	**49,243**	41,086

21. FOREIGN EXCHANGE GAINS AND LOSSES

The Company has reflected certain gains and losses in its consolidated statements of income as a result of exposure to foreign currency exchange rate fluctuations. A portion of these gains and losses relates to operating activities, while other portions are of a financing nature. Foreign exchange gains and losses are reflected in the consolidated financial statements as follows:

	2011	2010
Direct cost of sales, general and administrative expenses	**(1,012)**	(502)
Other expense (income), net	**(2,302)**	446
Total foreign exchange gains	**(3,314)**	(56)

In addition, the Company has reflected exchange gains and losses arising from the translation of the financial statements of self-sustaining foreign operations as a separate component of other comprehensive income (loss). The significant elements that give rise to these gains and losses are the working capital and film investments of the Company's international film distribution business.

22. ACCUMULATED OTHER COMPREHENSIVE LOSS

	2011	2010
Foreign currency translation adjustment	**(13,049)**	(11,498)
Unrealized gain on available-for-sale investments, net of tax	**476**	342
	(12,573)	(11,156)

23. GOVERNMENT FINANCING AND ASSISTANCE

Revenues include $3,394 (2010 - nil) of production financing obtained from government programs. This financing provides a supplement to a production series' Canadian license fees and is not repayable.

As well, revenues include $1,000 (2010 - $1,240) of government grants relating to the marketing of books in both Canada and international markets. The majority of the grants are repayable if the average profit margin for the three-year period following receipt of the funds equals or is greater than 10%.

24. COMMITMENTS, CONTINGENCIES AND GUARANTEES

The Company and its subsidiaries are involved in litigation matters arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to litigation to be material to these consolidated financial statements.

The Company has various long-term lease agreements for each of the next five years and thereafter as follows:

	Capital leases	Operating leases	Total
2012	8,497	22,793	31,290
2013	7,247	22,426	29,673
2014	1,376	21,179	22,555
2015	453	21,623	22,076
2016	4	20,188	20,192
Thereafter	—	277,930	277,930
	17,577	386,139	403,716

Operating leases are for the use of facilities and equipment. During fiscal 2011, rental expenses recognized in direct cost of sales, general and administrative expenses totaled approximately $21,432 (2010 - $15,086) and pre-occupancy rent recognized in other expenses totaled $ nil (2010 - $8,396).

Capital leases are for the use of computer hardware, telephones, furniture and broadcast equipment. The lease terms have a range between two and five years remaining and bear interest rates varying from 4.1% to 5.9%. During the year, the Company incurred interest totaling approximately $1,143 (2010 - $340).

The Company has entered into various agreements for the right to broadcast or distribute certain film, television and radio programs in the future. These agreements, which range in term from one to five years, generally commit the Company to acquire specific films, television and radio programs or certain levels of future productions. The acquisition of these broadcast and distribution rights is contingent on the actual delivery of the productions. Management estimates that these agreements will result in future program and film expenditures of approximately $415,894 (2010 - $360,515). In addition, the Company has commitments of $9,649 (2010 – $13,672) for future TV script production.

The Company has commitments related to intangible assets until October 2018 for a total of approximately $25,183 (2010 - $27,157). The Company has certain additional annual commitments, some of which are contingent on performance, to pay royalties for trademark rights. In addition, the Company has licenses and other commitments over the next five years to use specific software, signal and satellite functions of approximately $71,751 (2010 - $53,720). Generally, it is not the Company's policy to issue guarantees to non-controlled affiliates or third parties, with limited exceptions.

Many of the Company's agreements, specifically those related to acquisitions and dispositions of business assets, included indemnification provisions where the Company may be required to make payments to a vendor or purchaser for breach of fundamental representation and warranty terms in the agreements with respect to matters such as corporate status, title of assets, environmental issues, consents to transfer, employment matters, litigation, taxes payable and other potential material liabilities. The maximum potential amount of future payments that the Company could be required to make under these indemnification provisions is not reasonably quantifiable as certain indemnifications are not subject to a monetary limitation. As at August 31, 2011, management believed there was only a remote possibility that the indemnification provisions would require any material cash payment.

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. The Company has acquired and maintains liability insurance for directors and officers of the Company and its subsidiaries.

Subsequent to year end, Corus and a related party have entered into a contra agreement for the exchange of $2,500 in media time until August 31, 2012. The Company's obligation will be settled with a combination of interactive impressions, radio and television spots.

On June 22, 2011, the Company made a commitment in an investment fund (the "Fund") that enables private negotiation of equity and equity related investments in opportunities that enable or significantly benefit from mobile devices. The Company has committed up to U.S. $25 million for investment in the Fund.

In October 2009, a settlement was reached between the Government of Canada and members of the broadcasting industry in respect of disputed Part II license fees. The settlement included waiving Part II license fees that were not collected for the broadcasting years 2007, 2008 and 2009. The Company had accrued $14,015 over that period and reversed this accrual in the first quarter of fiscal 2010.

25. RELATED PARTY TRANSACTIONS

The Company has transacted business in the normal course with entities that are subject to common voting control and with entities over which the Company exercises significant influence. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties and having normal trade terms.

During the year, the Company received cable service subscriber, programming and advertising fees of $127,745 (2010 - $124,889), production and distribution revenue of $968 (2010 - $1,156) and administrative and other fees of $6,296 (2010 - $5,404) from related parties. In addition, the Company paid cable and satellite system distribution access fees of $4,367 (2010 - $4,633) and administrative and other fees of $2,649 (2010 - $3,514) to related parties. As at August 31, 2011, the Company had $28,697 (2010 - $29,534) receivable from related parties.

The Company provided related parties with interactive impressions, radio and television spots in return for television advertising. No monetary consideration was exchanged for these transactions.

Included in other assets (note 4) and share capital (note 11) are loans of $372 (2010 - $484) made to certain executive officers of the Company for housing or investment purposes. The loans are collateralized by charges on the officers' personal residences and/or by related investment. The loans are non-interest-bearing and are due between December 1, 2011 and October 31, 2022.

26. EMPLOYEE FUTURE BENEFITS

The Company has a defined contribution plan for qualifying full-time employees. Under the plan, the Company contributes up to 5% of an employee's earnings, not exceeding the limits set by the *Income Tax Act* (Canada). In late fiscal 2009, the Company reduced the pension contribution to 1% of qualifying employees' earnings until the end of fiscal 2010. The Company's contribution rate at 5% was reinstated in fiscal 2011. The amount contributed in 2011 related to the defined contribution plan was $6,101 (2010 - $606). The amount contributed is approximately the same as the expense included in the consolidated statements of income.

In fiscal 2008, the Company introduced a non-contributory defined benefit pension plan for certain of its senior executives. Benefits under this plan are based on the employee's highest average base salary earnings times credited service where highest average base salary earnings is defined as the highest base monthly earnings over the most recently completed thirty-six consecutive months. The Company recorded an expense of $1,166 in fiscal 2011 in respect of this plan (2010 - $1,052).

27. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2011 consolidated financial statements.

LIST OF ASSETS

TELEVISION

Channel 12 Durham

CHEX TV – Peterborough

CKWS TV – Kingston

CMT (Canada)

Cosmopolitan TV

DUSK

Encore Avenue

Food Network Canada*

Kids Can Press

KidsCo*

Movie Central (including HBO Canada)

Nelvana

Nickelodeon (Canada)

OWN: Oprah Winfrey Network (Canada)

Sundance Channel (Canada)

Telelatino (TLN)

TELETOON

TELETOON Retro

Treehouse

W Movies

W Network

YTV

RADIO

British Columbia

Vancouver

AM730 All Traffic All The Time (CHMJ) – AM

CKNW AM 980 (CKNW) – AM

Classic Rock 101 (CFMI) – FM

99.3 The FOX (CFOX) – FM

Alberta

Calgary

QR77 (CHQR) – AM

Q107 (CFGQ) – FM

Country 105 (CKRY) – FM

Edmonton

630 CHED (CHED) – AM

iNews880 (CHQT) – AM

CISN COUNTRY 103.9 (CISN) – FM

92.5 JOE FM (CKNG) – FM

Manitoba

Winnipeg

CJOB 68 (CJOB) – AM

99.1 Groove FM (CJGV) – FM

Power 97 (CJKR) – FM

Ontario

Barrie

chay today @ 93 1 fm (CHAY) – FM

B101 (CIQB) – FM

Cambridge

107.5 DAVE FM (CJDV) – FM

Collingwood

95.1 The Peak FM (CKCB) – FM

Cornwall

Variety 104.5 (CFLG) – FM

101.9 CJSS-FM (CJSS) – FM

Guelph

1460 CJOY (CJOY) – AM

Magic 106.1 (CIMJ) – FM

Hamilton

AM 900 CHML (CHML) – AM

Vinyl 95.3 (CING) – FM

Y108 (CJXY) – FM

Kingston

CKWS-FM (CKWS) – FM

FM96 (CFMK) – FM

Kitchener

91.5 The Beat (CKBT) – FM

London

AM980 (CFPL) – AM

The New 1031 Fresh FM (CFHK) – FM

FM96 (CFPL) – FM

Peterborough

100.5 KRUZ FM (CKRU) – FM

THE WOLF 101.5 (CKWF) – FM

Toronto

Talk Radio AM640 (CFMJ) – AM

102.1 the Edge (CFNY) – FM

Q107 (CILQ) – FM

Woodstock

More 103.9 FM (CKDK) – FM

Canadian broadcast, branded animation and publishing assets as of August 31, 2011.

*Assets in which Corus Entertainment has less than a 50% equity position.

DIRECTORS

Fernand Bélisle
Mr. Bélisle is a consultant to Canadian broadcast companies. Mr. Bélisle served as Vice Chair (Broadcasting) of the Canadian Radio-television and Telecommunications Commission (CRTC). This followed a series of senior positions at the CRTC and the Department of Communications which is now known as the Department of Canadian Heritage. Mr. Bélisle's business career has included positions with Télémedia Communications Ltd. and in audit and tax specialist roles at Coopers & Lybrand.

Member of the Audit Committee

John M. Cassaday
Mr. Cassaday is President and CEO of Corus Entertainment Inc., a position which he has held since the creation of Corus in September 1999. Prior to Corus, Mr. Cassaday was President, Shaw Media. He is a Director of Irving Oil Limited, Manulife Financial and Sysco Corporation.

Member of the Executive Committee

Dennis Erker
Mr. Erker is a Partner in the Fairley Erker Advisory Group, a financial and estate planning company. Mr. Erker is a Director of First Canadian Insurance Company and Millennium Insurance Company and serves as a Director of several charitable organizations. He has served as Chair of the Board for Canadian Hydro Developers Inc. and the Edmonton Eskimos, as Governor of the CFL and as Director of the Workers' Compensation Board – Alberta, The Citadel Theatre and the Alberta Securities Commission. Mr. Erker is a graduate of the Institute of Corporate Directors.

Member of the Human Resources Committee

Carolyn Hursh
Ms. Hursh is the Chairman of James Richardson & Sons, Limited (JRSL), a family owned and managed conglomerate established in 1857, whose subsidiaries include Richardson International, Richardson Pioneer, Richardson Oilseed Processing, Richardson Nutrition, Tundra Oil & Gas Limited, Lombard Realty Limited, Richardson GMP and Richardson Capital Limited. Ms. Hursh chairs the JRSL Corporate Governance Committee and is a member of the Audit and Compensation Committees. Ms. Hursh is also Chair of the Max Bell Foundation and is a member of the Advisory Boards for the Centre for Entrepreneurship and Family Enterprise at the University of Alberta and the Ohlson Research Initiative at the University of Calgary.

Chair of the Corporate Governance Committee and member of the Executive Committee

Wendy A. Leaney
Ms. Leaney is President of Wyoming Associates Ltd., a private investment and consulting firm based in Toronto. Prior to that, Ms. Leaney was Managing Director and Co-Head Global Communications Finance for TD Securities Inc. Ms. Leaney serves on the Board of Canadian Western Bank. She holds a Bachelor of Arts (Hon.) degree from the University of Toronto and is a graduate of the Advanced Management Course at the University of Western Ontario. Ms. Leaney is also a graduate of the Canadian Securities Course and a Fellow of the Institute of Canadian Bankers.

Member of the Audit Committee

Susan Mey
Ms. Mey is President and Chief Executive Officer of The Green Cricket Inc., an online global retailer of environmentally sustainable products and services, based in Toronto. Ms. Mey was President and Chair of the Board of Kodak Canada Inc. from 2005 to 2007. Prior to joining Kodak, Ms. Mey was General Counsel for The T. Eaton Company Ltd. Prior to Eaton's, Ms. Mey was the founder and manager of a Hong Kong-based software company specializing in radiology imaging and patient information solutions for the healthcare sector. Ms. Mey was called to the Ontario bar in 1989, and practiced law in a large Toronto firm prior to moving to Asia in 1991. She is qualified to practice law in Canada and Hong Kong and is a graduate of the Institute of Corporate Directors. Ms. Mey is a member of the Independent Review Committee of Fidelity Investments Canada ULC.

Member of the Human Resources Committee

Ronald D. Rogers
Mr. Rogers retired as Senior Vice-President and Chief Financial Officer of Shaw Communications Inc. in August 2004. Mr. Rogers serves as a Director for Transforce Inc. and Parkland Fuel Corporation. Mr. Rogers is a chartered accountant and a member of the Alberta Institute of Chartered Accountants. Mr. Rogers has extensive experience in operations and finance, both nationally and on an international basis.

Chair of the Audit Committee and member of the Executive Committee

Catherine Roozen
Following graduation from the University of Alberta with a Bachelor of Commerce degree in 1977, Mrs. Roozen worked with the North West Trust Company until 1981 in the area of Branch Operations and as Vice-President, Investments. In 1981, Mrs. Roozen joined Cathton Holdings Ltd., a private investment company with interests in banking, broadcasting, ranching and real estate development. Currently, Mrs. Roozen is a Director and Secretary of the Allard Foundation Ltd., Chair and Director of Cathton Investments Ltd. and Director of Melcor Developments Ltd.

Terrance Royer
Mr. Royer is Chairman of Royco Hotels Ltd., a hotel management company. Mr. Royer retired as Executive Vice-Chairman of the Calgary-based Royal Host REIT in December 2005. He is also retired President, CEO and founder of Royal Host Corp., a hotel and resort ownership, franchising and management company. Mr. Royer served on the Board of Royal Host REIT from January 1998 to June 2006. Mr. Royer is Chairman Emeritus of the University of Lethbridge (Chairman from January 2001 to July 2006) and Chairman of the Alberta "Access to the Future Fund" for post-secondary institutions in Alberta.

Chair of the Human Resources Committee and member of the Executive Committee and the Corporate Governance Committee

Serves as the Independent Lead Director

Heather A. Shaw
Ms. Shaw is the Executive Chair of Corus Entertainment Inc., and has held the position since its inception in September 1999. Ms. Shaw is a Director for Shawcor Ltd., a member of the Richard Ivey School of Business Advisory Board and past Director of Shaw Communications Inc. Ms. Shaw also sits on a number of charitable boards. Ms. Shaw holds a Bachelor of Commerce degree from the University of Alberta and an MBA from the Richard Ivey School of Business at the University of Western Ontario.

Chair of the Board of Directors and Chair of the Executive Committee

Julie M. Shaw
Ms. Shaw is the Vice Chair of Corus Entertainment Inc., and has held the position since April 2008. Ms. Shaw is the Vice President, Facilities, Design and Management, Shaw Communications Inc. ("Shaw"), a diversified communications company whose core business is providing cable television services to approximately 2.1 million homes. Ms. Shaw has been employed at Shaw since 1986. Ms. Shaw is a graduate of the Institute of Corporate Directors. Ms. Shaw holds a Bachelor of Design Science degree from Arizona State University.

Vice Chair of the Board of Directors and member of the Corporate Governance Committee

OFFICERS

Judy Adam
Vice President, Finance,
Corus Entertainment Inc.

John M. Cassaday
President and Chief Executive Officer,
Corus Entertainment Inc.

Scott Dyer
Executive Vice President, Shared Services and Chief Technology Officer,
Corus Entertainment Inc.

Gary Maavara
Executive Vice President and General Counsel,
Corus Entertainment Inc.

Kathleen McNair
Executive Vice President, Human Resources and Corporate Communications,
Corus Entertainment Inc.

Doug Murphy
Executive Vice President and President of Corus Television,
Corus Entertainment Inc.

Chris Pandoff
Executive Vice President and President of Corus Radio,
Corus Entertainment Inc.

Thomas C. Peddie FCA
Executive Vice President and Chief Financial Officer,
Corus Entertainment Inc.

John R. (Jack) Perraton
Corporate Secretary,
Corus Entertainment Inc.
Senior Partner,
Perraton Law

Heather A. Shaw
Executive Chair,
Corus Entertainment Inc.

CORUS ENTERTAINMENT INC.

Stock Exchange Listing and Trading Symbol
Toronto Stock Exchange
TSX: CJR.B

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Website
www.corusent.com

Auditors
Ernst & Young LLP

Primary Bankers
The Toronto-Dominion Bank

Shareholder Services
For assistance with the following:

- Change of address;
- Transfer or loss of share certificates;
- Dividend payments or direct deposit of dividends;
- Dividend Reinvestment Plan;

please contact our ***Transfer Agent and Registrar***:

CIBC Mellon Trust Company
c/o Canadian Stock Transfer Company Inc.
PO Box 700, Station B
Montreal, Quebec H3B 3K3
Telephone: 1.800.387.0825
Facsimile: 416.643.5501
www.canstockta.com

Dividend Information
Corus Entertainment pays its dividend on a monthly basis and all dividends are "eligible" dividends for Canadian tax purposes unless indicated otherwise.

For further information on the dividend, including the latest approved dividends and historical dividend information, please visit the Investor Relations section of the Corus Entertainment website (www.corusent.com).

Dividend Reinvestment Plan ("DRIP")
CIBC Mellon Trust Company c/o Canadian Stock Transfer Company Inc. administers Corus Entertainment's Dividend Reinvestment Plan, which is available to its registered Class A and Class B Shareholders residing in Canada. To review the full text of the plan and obtain an enrollment form, please visit the Plan Administrator's website at www.canstockta.com or contact them at 1.800.387.0825.

Corporate Governance
The Board of Directors of the Company endorses the principles that sound corporate governance practices ("Corporate Government Practices") are important to the proper functioning of the Company and the enhancement of the interests of its shareholders.

The Company's Statement of Corporate Governance Practices as they compare to the CSA Guidelines on Corporate Governance, and the charter of the Board of Directors may be found in the Company's most recently filed Management Information Circular and in the Investor Relations section of the Corus Entertainment website (www.corusent.com).

Further Information
Financial analysts, portfolio managers, other investors and interested parties may contact the Company at 416.479.7000 or visit the Company's website (www.corusent.com).

Corus Entertainment's Annual Reports, Annual Information Forms, Management Information Circulars, quarterly financial reports, press releases, investor presentations and other relevant information are available in the Investor Relations section of the Corus Entertainment website (www.corusent.com).

To receive additional copies of Corus Entertainment's Annual Report, please fax your request to the Director, Communications at 416.479.7007.

Annual General Meeting
January 10, 2012
2 p.m. ET
Corus Entertainment
Corus Quay
25 Dockside Drive
Toronto, Ontario M5A 0B5

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ENTERTAINMENT